FINANCIAL TIMES

Privatisation
A decade of European issues assessed
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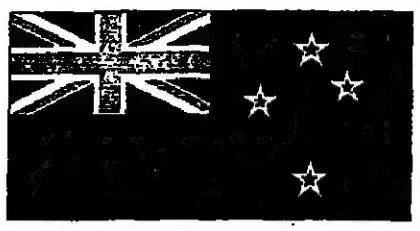

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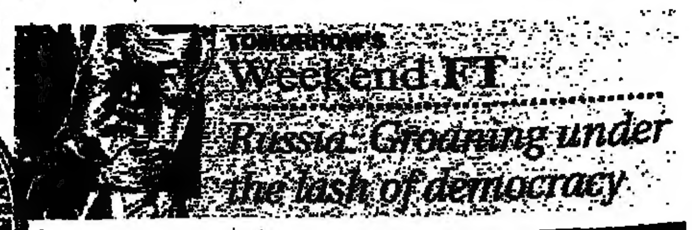


World Business Newspaper   FRIDAY JUNE 14 1996

Compromise plan may resolve wage dispute in Germany

Germany is close to resolving a dispute over public sector wages after a compromise proposal of a 1.3 per cent wage rise in 1997, preceded by a one-off payment of DM300 ($194) in 1996 for each of the 3.2m public sector workers, was grudgingly accepted by trade unions. Page 20

Stena Line of Sweden, the world's biggest ferry operator, warned that lower-than-expected volumes on English Channel crossings would cut 1996 profits from 1995 levels. Less than two months ago, the company had forecast an improvement in profits from SKr201m ($29.7m) in 1995. Page 21

Lloyd's warns on final settlement: Lloyd's of London insurance market began the final stage of moves to secure its financial future when it warned that no further changes were possible to an £3.1bn ($4.7bn) out-of-court settlement offer to loss-making Names. Page 8

Spanish inflation at 3.8%: Spanish consumer prices jumped by 0.3 per cent last month, pushing the year-on-year rate up to 3.8 per cent compared with 3.5 per cent in April. Page 2

Pressure over Bosnian elections plan: Diplomats at a summit on Bosnia are struggling to work out a way to enable elections to go ahead by September in spite of numerous violations of the Dayton peace accords. Page 2

Car sales in Europe up 5.8%: New car sales in western Europe continued to rise sharply last month, climbing 5.8 per cent to 1,167,900 units compared with May 1995. Page 2

Fininvest, the business empire controlled by former Italian premier Silvio Berlusconi, is seeking talks with anti-corruption magistrates in Milan after months of confrontation. Page 3

Microsoft plans intranet move: Microsoft revealed plans to combine its top-selling personal computer software products with Internet technologies to enable businesses to build intranets, internal networks based on Internet standards. Page 24

Baghdad blocks UN search: Iraq barred UN weapons inspectors from two more sites around Baghdad as they tried to search for weapons or related materials. Page 6

Argentina probes IBM contracts: Argentine prosecutors are expected to begin a criminal investigation into data-processing contracts worth $513m between IBM and Argentina's inland revenue service after allegations that two contracts signed in 1994 were overpriced. Page 4

Stork, the Dutch industrial services company, said it was likely to buy parts of aerospace group Fokker, which went into bankruptcy in March. Page 21

Fewer asylum seekers in western Europe: Asylum applications to western Europe dropped by 11 per cent to 290,000 in 1995, the EU said. Western Europe, Australia, Canada and the US received a total of 468,000 applications.

Son held over Abiola shooting: The Nigerian police have detained the eldest son of jailed opposition leader Moshood Abiola in their investigation of the murder of his wife, Kudirat Abiola, who was killed by unknown gunmen in Lagos last week.

Swedes against joining EU: Sweden's support for EU membership has fallen. A poll found that 60 per cent of the 3,673 people questioned would vote against joining while only 26 per cent would vote in favour, with 13 per cent undecided.

Three die in Japan air crash:

Rescue services fought a fire in the tail section of a Garuda Indonesia aircraft (above) which failed to take off from Japan's Fukuoka airport. Three of the 275 people on board were killed. Page 7

Bulgaria deals Romania Euro 96 blow: Bulgaria beat Romania 1-0 in their group game at Newcastle, north east England. Romania had already lost 1-0 to France and cannot now reach the quarter finals.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,659.80	(-8.49)
NASDAQ Composite	1,225.13	(-10.34)
Europe and Far East		
CAC40	2,128.20	(-11.09)
DAX	2,567.47	(-1.41)
FT-SE 100	3,761.7	(-7.5)
Nikkei	22,082.40	(-22.40)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.218%
Long Bond	85⅝
Yield	7.170%

OTHER RATES

UK: 3-mo Interbank	5⅞%	(5⅞%)
UK: 10 yr Gilt	95$\frac{31}{32}$	(96$\frac{7}{32}$)
France: 10 yr OAT	104.73	(105.21)
Germany: 10 yr Bund	97.34	(97.89)
Japan: 10 yr JGB	98.5723	(98.8543)

NORTH SEA OIL (Argus)

Brent Dated	$17.84	(18.23)

GOLD

New York: Comex		
(Aug)	$386.5	(386.8)
London:		
close	$384.75	(384.5)

DOLLAR

New York: lunchtime		
£	1.53465	
DM	1.5295	
FFr	5.1885	
SFr	1.258	
Y	108.725	
London:		
£	1.5295	(1.5345)
DM	1.5353	(1.5363)
FFr	5.2082	(5.2083)
SFr	1.2826	(1.265)
Y	109.145	(109.475)

STERLING

DM	2.3482	(2.3575)
Tokyo close:	Y 109.015	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDH16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr11.50	Kuwait	Fils650	Portugal (m'land)	Es340	Turkey	L80,000
		Lebanon	L£3,000			UAE	Dh12.00

Investors and banks face losses of up to $100m as securities frozen

Chaos over stolen Russian bonds

By Nicholas Denton in London and Chrystia Freeland in Moscow

Russia's debt markets have been thrown into turmoil by the discovery that many of the government bonds in circulation are stolen and investors in them face potential losses of up to $100m.

Western investment banks such as Salomon Brothers and CS First Boston, and many of their clients, face significant losses on the bonds because the Russian authorities have frozen them until their ownership can be established.

The deepening uncertainty over ownership – combined with an unsympathetic response to investors from the Russian government – threatens to undermine the credibility, not only of the bonds affected, but Russia's entire borrowing programme.

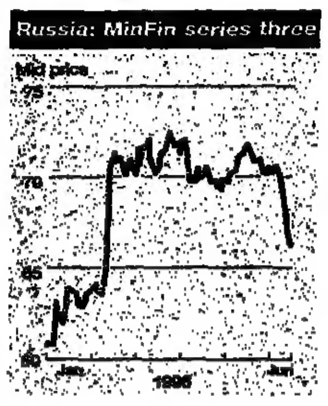
Up to 1 in 100 of the notes, issued by the Ministry of Finance in 1993 and denominated in dollars, may be affected, investment bankers involved in the crisis estimate. Some of the bonds were stolen in Chechnya during the separatist war which raged in the Russian province last year.

Salomon Brothers, which has already sold over $700m of the "MinFin" bonds internationally, has halted its selling campaign and has told clients it will cover any losses they suffer. Other investment banks have also warned customers.

Trading in the Russian government bond market threatens to seize up as western investment banks such as Deutsche Morgan Grenfell and Bank of America said yesterday they were no longer quoting prices in the bonds.

Western traders said the withdrawal of investment banks, which had provided much of the market liquidity, had helped

Russia: MinFin series three



push the price of the bonds down 6 per cent within a week, to close yesterday at 66.

Mr Alex Knaster, head of CS First Boston's Russian operations, said: "The Russian authorities should be very concerned because this undermines the very security of Russian government securities. It could cast a shadow, not only on the MinFin paper, but on other Russian government securities as well."

Mr Knaster, and other western investment bankers, said the problem could undermine the London Club negotiations on the rescheduling of Russia's $33bn commercial debt and the country's planned debut Eurobond.

Uncertainty about the ownership of bonds compounds the concern of investors about Russia's political direction as it approaches presidential elections this Sunday in which President Boris Yeltsin's economic reform programme faces its biggest test.

Ministry of Finance bonds were issued to compensate Russian organisations for hard-currency deposits which were seized by the government, but western investors have subsequently invested in the market. Of about $9bn of bonds issued, about $2bn are thought to be in western ownership.

In the one case of theft known to western financiers, a Russian bank in June 1994 issued bonds to Grozny Chemical Factory, in the Chechen capital. These bonds were stolen in 1995, according to Ministry of Interior documents, but the thief continued to collect interest.

The concern of western investment bankers is that the Ministry of Interior has on at least four further occasions frozen new batches of bonds. An investment banker involved in the crisis said: "It's getting crazy, it started off with just a few million concerned, but it just keeps getting bigger and bigger."

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Heavyweight makes his stand, Page 19

Markets to stay open longer when Emu begins

By Gillian Tett in London

Traders in Europe's financial markets face a sharp increase in their dealing hours when European monetary union starts later in this decade.

European central bankers have now broadly agreed that trading for Emu's settlement systems and money markets will be lengthened to about 11 hours.

Under the plans, markets would probably close at about 6.30pm - a sharp change for traders in many continental countries. Money markets in Germany and Austria, for example, close early in the afternoon, while in France and the UK domestic operations are usually over by late afternoon.

Mr Hermann Remsperger, chief economist at BHF bank in Frankfurt, said: "This increase in opening hours would be a significant step to moving to a more open system. It might mean banks will have two shifts of traders."

The agreement to lengthen hours comes as European central bankers prepare the new euro settlements system, known as Target, which will start operations in 1999.

The hours of domestic payments systems, and the associated money markets, vary widely between European countries. However, central bankers agree it will be essential to keep uniform opening hours for Target.

Scandinavian countries and Germany wanted to keep these relatively short. However, the UK and France advocated a longer trading period, to cope with the EU time zones, and to co-ordinate with Asian and US markets.

Individual countries will determine precise hours for money market operations but in practice they will be under pressure to follow Target's hours, even in countries that stay outside Emu.

The proposals are likely to prove controversial in some European countries. Mr Cedric Pauwels, a trader at Bank Brussels Lambert in Belgium, said: "Officially we are not allowed by the unions to work very late."

Meanwhile, Mr Per Falck, a trader in Skandinaviska Enskilda Banken in Stockholm, said: "I can't see much point in keeping the market open later in the afternoon - it will make the preparatory and completion work longer."

Nevertheless, Mr Johannes Weninger, head of securities at the Austrian bank Raiffeisen Zentralbank Osterreich in Vienna, pointed out that trading hours were already growing as markets became more global.

Some banking officials hope the longer hours will reduce fluctuations in market interest rates, since there will be more time to solve liquidity problems.

Nato secretary-general Javier Solana (right) and French defence minister Charles Millon at Nato's Brussels headquarters, where defence ministers opened a meeting to review the work of the Bosnian peace mission and begin reforms to give Europeans a greater role in the organisation. Bosnia poll, Page 2 *Reuter*

Fairchild to cut up to 1,000 jobs at Dornier Luftfahrt

By Wolfgang Münchau in Munich

Fairchild Aircraft of the US is cutting up to 1,000 jobs, nearly half the workforce, at Dornier Luftfahrt, the German regional aircraft maker in which it recently bought a majority stake from Daimler-Benz Aerospace.

Mr Carl Albert, chairman and majority owner of Fairchild, yesterday said Dornier Luftfahrt could return to profit by 1998, after losing DM500m ($324m) last year on turnover of DM1bn. The company employs 2,200 staff at a plant in southern Germany.

Substantial job losses were expected after Fairchild's takeover, but the scale of the cuts is among the largest seen recently among German companies struggling to improve their international competitiveness.

Mr Albert said at a press conference in Munich: "The [Dornier] 328 is the best aircraft in its field in terms of performance, low noise, and passenger comfort, and this is what we are attracted to. Our challenge is to reduce the cost of production."

Under the deal with Daimler-Benz Aerospace (Dasa), Fairchild has taken an 80 per cent stake in Dornier Luftfahrt. As a condition, the US group agreed to keep the German production plant in operation until the end of the decade.

Mr Albert said the terms of the agreement were "subject to a confidentiality clause". Dasa has said it would pay Fairchild up to DM300m to cover losses and redundancy payments. For Daimler-Benz, the sale formed part of a large-scale programme to shed loss-making subsidiaries.

"We want to prove that it is possible to be competitive manufacturing aircraft in an intelligent network between the US and Germany," Mr Albert said. The final assembly of the 33-seater Dornier 328 would remain in Germany, while the administration and support would be run centrally from San Antonio, Texas, where Fairchild has its headquarters. He said Fairchild also had plans to introduce a 50-seater version of the 328.

Mr Albert said he intended to employ between 1,200 and 1,400 staff in Germany. He observed that "in America, our staff work 2,050 hours a year, 40 hours a week, with only four paid holidays a year in addition to vacation. It's very different from the rules that you are accustomed to here in Germany."

In spite of the scale of the job losses, Dornier's works council supported the Fairchild takeover, mainly because of the lack of suitable alternatives. Fairchild is an unquoted company whose main product is a 19-seater aircraft. It is thought to be in good financial health, although few hard figures are available.

Dasa finally received the go-ahead for the deal at a shareholders' meeting last week, although minority shareholders in Dornier have threatened to sue.

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

French in row over imports of British animal feed

By David Buchan in Paris and Deborah Hargreaves in London

A bitter political row broke out yesterday in France following reports of a surge in imports of UK meat and bone meal after its use in cattle and sheep feed in Britain had been banned in 1988.

The row came as the UK rendering industry said the surge in exports was caused not by meat and bone meal, but by a glut of poultry and feather meal for use in pet food. This surge resulted from an unrelated crisis in the UK egg industry which had led to abnormal levels of chickens being slaughtered.

French politicians complained of "not being told the truth" by the UK and the head of the largest farmers' union called Britain's behaviour "scandalous".

The centre-right government and socialist opposition also attacked each other over the issue. The socialists, who were in power at the time, were criticised for allowing in the imports in the first place while the government was attacked for its current handling of the issue.

Meat and bone meal produced from cow and sheep carcases and fed to cattle has been implicated as a cause of bovine spongiform encephalopathy (BSE), or "mad cow" disease.

UK renderers, which produce meat and bone meal from animal remains, said yesterday the tripling in exports of meat and bone meal in 1989 was almost completely due to additional shipments of poultry and feather meal chiefly exported to pet food manufacturers in Europe.

"The reason for the big jump in meat and bone meal exports was down to all this extra material from chickens because 1988 was the year of the salmonella eggs crisis when there was a huge increase in the number of birds slaughtered," said Mr Paul Foxcroft, of Prosper de Mulder, the UK's biggest rendering company.

Demand for eggs in Britain halved over nine days in December 1988 a UK minister said "most" eggs were infected with salmonella.

The UK ban on the inclusion of

Continued on Page 20

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Nato agrees to hold urgent review of future military options

Pressure mounts over Bosnia poll

By Laura Silber in Florence and Bruce Clark in Brussels

Diplomats at an international summit on Bosnia were struggling yesterday to devise a formula which would enable elections to go ahead by September in spite of numerous violations of the Dayton peace accords.

Under the Dayton pact, Mr Flavio Cotti, the Swiss foreign minister who holds the chair of the Organisation for Security and Co-operation in Europe, is to certify whether free and fair elections can take place. He is under intense pressure to give them the green light, despite the failure to allow the return of refugees or provide freedom of media and movement.

At the beginning of the two-day review conference, Mr Carl Bildt, EU High Representative to Bosnia – who is responsible for the civilian side of the Dayton agreement – made clear his opposition to postponing elections. "The longer this process is delayed, the more difficult will it be, the greater the risk that partition could not be overcome and the peace agreement left unfulfilled," he said in reference to the post-election challenge of building common Bosnian institutions to link the two Moslem-Croat and Bosnian Serb entities.

But the president of the criminal tribunal for former Yugoslavia warned the conference that country-wide elections should not go ahead unless Bosnian Serb and Croat leaders wanted on war crimes charges are arrested.

Judge Antonio Cassese said: "These leaders will jeopardise free and fair elections... they will mastermind the aftermath of the elections and the division of Bosnia-Hercegovina into three separate 'ethnically pure' entities."

However, the conference is expected to announce that the elections will be held on September 14 even if Mr Cotti does not certify that the conditions have been met. But one compromise being considered yesterday was a French proposal cutting in half the four-year mandate of the elections.

At the first Nato meeting attended by France since 1966 defence ministers agreed yesterday in Brussels to hold an urgent review of future military options in ex-Yugoslavia, immediately after the Bosnia-wide elections. While adamantly refusing to speculate in public about their plans beyond December, when the current 60,000-strong implementation force (Ifor) is due to end, ministers agreed that any follow-up force would be assembled by Nato as a whole.

This amounted to a firm rejection of the idea, floated by the European Commission, of a European-only peacekeeping force in the Balkans.

This week's apparent offer by Mr William Perry, the US defence secretary, to recommit forces in 1997 if Nato decided that a fresh mission was needed, was hailed in private by Nato's European members.

European diplomats said this vindicated their insistence that the US and its allies should either stay in Bosnia together or leave together.

Britain yesterday voiced alarm over the degree of tension between Greece and Turkey, nominal Nato allies at odds over air-sea and seabed rights in the Aegean, and urged both sides to accept Nato mediation, writes Bruce Clark in Brussels.

"We are really quite shocked that such disputes should have come to the brink of military action," said Mr Michael Portillo, the UK defence secretary, apparently referring to a naval showdown in the Aegean earlier this year. "We don't expect that from alliance members, and we offer the good offices of the alliance to try to resolve this."

Mr Gerasimos Arsenis, the Greek defence minister, yesterday urged his British, French and German counterparts to uphold Athens' complaints over recent Turkish behaviour, including alleged airspace violations and a new move to question the status of an island south of Crete.

Mr Arsenis said he had urged his counterparts to abandon their policy of neutrality and take a stance over disputes which threatened to paralyse the functioning of the alliance in the Mediterranean.

Perry: seems to be in favour of maintaining US presence AP

Bulgaria economic reforms to continue

By Theodor Troev in Sofia

Bulgaria's socialist government vowed to carry on with its programme of economic reform, after it survived a no-confidence vote in parliament yesterday. Despite large public protests, the leftist parties, which have a majority in parliament, supported the government as expected.

"The outcome of the vote is an expression of the support for our structural reform policy," said prime minister Zhan Videnov, referring to reform measures agreed recently with the International Monetary Fund.

Mr Ivan Kostov, leader of the main opposition group, the Union of Democratic Forces, and former finance minister, said that the vote "means that the leftist coalition should take total responsibility for the economic crisis".

The vote was called by the opposition parties, which accused the cabinet of poor handling of the country's economic crisis. Drastic rises in interest rates in recent weeks were aimed at averting a collapse in the lev, the national currency, and were followed by steep price rises and by shortages of bread and fuel.

Heated debate in parliament over the motion of no confidence added to public discontent with the Videnov administration. Thousands of trade unionists, pensioners and taxi drivers took to the streets of Sofia to demand the resignation of the government.

Mr Videnov reshuffled his cabinet this week, appointing new ministers of industry, agriculture and culture in an attempt to overcome divisions in the Bulgarian Socialist party (BSP) over his government's handling of the crisis. Mr Lyubomir Dathev, new minister of industry, said there would be no changes in plans to close loss-making state enterprises, or the IMF-agreed reform programme.

Sharp rise in EU car sales

By Haig Simonian, Motor Industry Correspondent

New car sales in western Europe continued to rise sharply last month, defying industry forecasts that the marked improvement in sales in the early months of this year would be shortlived.

Sales climbed by 5.8 per cent to 1,167,900 units in May, compared with the same month in 1995. Registrations increased in all but three of the 17 countries monitored by the European Automobile Manufacturers' Association.

However, last month's figures indicated a potentially significant softening of demand in two of Europe's biggest car markets.

May sales in France fell by 0.7 per cent year on year, while Italian registrations declined by 1.7 per cent.

The falls reduced the growth rate in French new car sales to 10 per cent in the first five months of this year, compared with 12.6 per cent in January-April. Growth in Italy also changed significantly, with a 0.2 per cent fall in January-May, compared with the same period last year.

In the first four months of this year, Italian sales rose by 1.4 per cent compared with the same period the previous year.

However, registrations in Germany continued to thrive, with May sales rising by 5.7 per cent year on year.

That helped to lift growth in the German car market to 8.6 per cent in the first five months of 1996, compared with 8.4 per cent in January-April.

The continuing improvement in European registrations helped all the leading manufacturers, with Fiat the main beneficiary. Sales of Fiat group passenger cars climbed by 11.1 per cent last month, compared with 5.3 per cent for the Volkswagen group and 5.9 per cent for General Motors and its subsidiaries.

French manufacturers, by contrast, had a difficult month, with Peugeot increasing its registrations by 0.1 per cent and Renault's sales remaining static. Only Citroën reported a significant change, with a 10.6 per cent jump.

WEST EUROPEAN NEW CAR REGISTRATIONS

	January-May 1996			
	Volume (Units)	Volume Change(%)	Share (%) Jan-May 96	Share (%) Jan-May 95
TOTAL MARKET	5,810,200	7.5	100.0	100.0
MANUFACTURERS:				
Volkswagen group	990,479	11.2	17.0	16.5
- Volkswagen	655,093	14.1	11.3	10.6
- Audi	177,421	5.7	3.1	3.1
- Seat	126,082	3.6	2.2	2.3
- Skoda*	31,883	15.6	0.5	0.5
General Motors**	748,944	4.4	12.9	13.3
- Opel/Vauxhall	720,009	5.1	12.4	12.7
- Saab***	24,633	-6.6	0.4	0.5
Fiat group****	698,206	12.0	12.0	11.5
- Fiat	555,328	13.7	9.6	9.0
- Lancia	80,249	-1.2	1.4	1.5
- Alfa Romeo	61,845	16.8	1.1	1.0
Ford group**	695,071	6.6	12.0	12.1
- Ford	688,916	6.8	11.9	11.9
- Jaguar	6,155	-9.0	0.1	0.1
PSA Peugeot Citroën	685,252	6.2	11.8	11.9
- Peugeot	408,680	6.6	7.0	7.1
- Citroën	276,572	5.6	4.8	4.8
Renault	586,762	-0.1	9.8	10.5
BMW group	342,583	6.1	5.9	6.0
- BMW	182,477	4.2	3.1	3.2
- Rover	160,106	8.4	2.8	2.7
Mercedes-Benz	206,450	15.8	3.6	3.3
Nissan	161,950	4.9	2.8	2.9
Toyota	147,662	6.0	2.5	2.6
Honda	88,336	9.0	1.5	1.5
Mazda	81,872	1.6	1.4	1.5
Mitsubishi	71,660	29.3	1.2	1.0
Volvo	80,898	-20.7	1.4	1.9
Total Korean	106,333	65.2	1.8	1.2
Total Japanese	625,263	8.6	10.8	10.7
MARKETS:				
Germany	1,594,200	8.6	27.4	27.2
France	893,700	10.0	15.4	15.0
United Kingdom	859,400	5.2	14.8	15.1
Italy	837,500	-0.2	14.4	15.5
Spain	382,900	5.9	6.6	6.7

*VW holds 60.3 per cent of Skoda. **Includes cars imported from US and sold in western Europe. ***GM holds 50 per cent and management control of Saab Automobile. ****Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (EUROPEAN Automobile Manufacturers Association) estimates. Figures are rounded.

SNCF pioneers rail shopping

By Andrew Jack in Paris

A large French retailer has developed an innovative approach to shopping aimed at busy commuters which could at the same time help reduce the high costs of the country's national railway system.

Pinault Printemps Redoute, which owns a number of leading shopping chains and a mail order company, has joined forces with SNCF, the national railway group, and Ares, a charity which helps the unemployed, to offer a rapid retailing service on wheels.

Since the start of this month, commuters arriving for their morning trains in the eastern suburbs of Paris can pick up a free shopping catalogue to flick through on their journey into the French capital.

On arrival at the Gare de l'Est terminus, they hand in the catalogue with ticks against the goods they want to buy to staff waiting on each platform, who make the purchases during the day from nearby Prisunic and FNAC stores, both within the Pinault Printemps group.

On their return journey the same evening, commuters can take delivery of their goods at the Gare de l'Est, or on arrival at Meaux, at the far end of the line. They pay the going shop prices, plus a FFr20 ($3.84) handling fee.

The pocket-sized catalogue lists nearly 200 items, including gourmet packaged food produced by Gault & Millau, household toiletries, and compact discs and videos, each illustrated with pictures and accompanied by a bar code.

Mr Stéphane Godlewski, head of the project for SNCF, stressed that one of the objectives was social – to help in the government's initiative to create jobs – but that if it became successful, the railway company would expect a share of the profits. Seven people are currently employed.

He said the eastern region of SNCF had already introduced a number of innovative new ways to raise money in the last few months – including televisions in first class carriages on some routes – and was considering several other commercial projects.

"This is designed for people who do not have time to do much shopping, or want to impulse-buy things like CDs," he said. "It is not always easy for them to find the products easily in the suburbs."

At the Gare de l'Est yesterday, staff involved were on hand, and posters advertised the scheme, dubbed "courses direct" or direct shopping.

But commuters coming off their trains all rushed past without placing orders. "It doesn't interest me at all," snapped one woman.

One of the "hostesses" waiting to collect the catalogues admitted there had been little take-up. "I would not buy things like this," she said.

Agreement 'needed soon on EU power market'

By Neil Buckley in Brussels

Failure by European Union ministers to agree next week on opening the EU's electricity market to cross-border competition could rule out agreement before the end of the decade, Mr Christos Papoutsis, European Union energy commissioner, warned yesterday.

Ministers will hold an extraordinary meeting in Luxembourg next Thursday to try to reach a deal on electricity liberalisation after six years' wrangling.

If they fail, Mr Papoutsis said the commission would push for the issue to be voted on by EU heads of government in Florence on the following Friday and Saturday.

Electricity liberalisation has been one of the single market initiatives in which least progress has been made.

It has been identified by Mr Jacques Santer, president of the commission, as one of three priority issues on which agreement must be reached this year.

Progress has been hampered by deep divisions between countries including Germany which give support to extensive liberalisation, and states such as France, which want only a limited opening of the market.

But ministers agreed a general framework for market opening last month, leaving only the figures for the extent of the initial and final opening, and the time-scale, to be agreed.

A flurry of meetings between France and Germany and diplomatic activity by Italy, holder of the EU presidency, has produced a compromise and hopes of agreement next week.

Under the plan, about 22.5 per cent of the EU electricity market would be opened to competition initially, based on the percentage of electricity users in the Union consuming more than 40 gigawatt-hours of electricity each year.

After three years, the consumption threshold would fall to 20 GWh a year, equal to market opening of 28 per cent, and three years later to 9 GWh, or about 32 per cent.

After a further three years, "in the light of experience gained, [ministers] shall consider the possibility of a further opening of the market".

In an interview, Mr Papoutsis warned that if the plan was not agreed next week, loss of political momentum, plus elections in several member states next year could delay any agreement until the end of the decade.

"If we don't get agreement in Luxembourg, it is clear it will not be because of technical points," he said. "It could only be because of lack of political will."

Mr Papoutsis criticised the stance of ministers such as Germany's Mr Günther Rexrodt, and the UK's Mr Tim Eggar, who have suggested "no agreement" would be better than a "bad agreement".

"Without a directive, we would be working in favour of monopolies," he said. He added that arguments from some member states that there was no need for action by the commission because they were already liberalising their own markets were invalid.

"Our job is to make an internal electricity market in Europe, not get liberalisation in national economies. That is a totally different thing," Mr Papoutsis said.

EUROPEAN NEWS DIGEST

Mitterrand's doctor on trial

François Mitterrand's personal physician, Dr Claude Gubler (left), who for a decade helped the late French president conceal his cancer from the nation, went on trial yesterday for telling the truth after his death. Dr Gubler appeared in court charged with breaching his oath of medical secrecy by recounting in a book Mitterrand's 14-year battle against the disease that eventually killed him at the age of 79, eight months after he retired. *The Great Secret*, published a week after Mitterrand died in January and immediately banned, told how the Socialist leader broke a pledge to be open about his health and made Dr Gubler issue medical bulletins omitting any reference to his prostate cancer.

Dr Gubler faces up to a year in jail and a FFr100,000 ($20,000) fine. The trial will influence another hearing, next September, on an FFr800,000 damage claim by Mitterrand's widow, Danielle, and his three children, and decide whether the book should be banned indefinitely. *Reuter, Paris*

Greek shipowner 'solvent'

Mr Dimitris Hatzis, the Greek shipowner who asked the Athens stock exchange on Wednesday to suspend trading in shares of two companies he controls, yesterday denied reports that he faced bankruptcy. He told the *FT*: "I have a temporary cash flow problem which I believe will be sorted out in the next few days."

Mr Hatzis said production at Globe, his food-processing company, and at its subsidiary Cosmos, a textile producer, was "running at full capacity and consolidated turnover this month will be around Dr650m [$2.68bn] as usual". Shares in both companies had been trading at 20 per cent of face value before they were suspended. *Kerin Hope, Athens*

French building sector cuts jobs

The French building sector is set to lose 30,000 more jobs in 1996, bringing to 175,000 the number lost in the past six years, the Fédération Nationale du Bâtiment, a trade body, warned yesterday. The body also revised down its projections of the amount of activity to be undertaken by the sector this year, blaming the downturn on a reduction in the level of public investment, in particular the "ferocious budgetary controls introduced on social housing in 1995".

The federation, which is organising a series of demonstrations in France today, said the French building sector was enduring its worst period since the end of the second world war. It said as many as 300,000 jobs had been lost in the past six years if the impact on other business sectors was taken into account. *David Owen, Paris*

Quinn pushes Belgium for Emu

Belgium could be a founder member of the European Monetary Union, even if it failed to meet the economic convergence criteria required, Mr Ruairi Quinn, the Irish finance minister, said yesterday. Belgium's high level of government debt is likely to exceed the threshold allowed for Emu members. But the debt was almost 100 per cent domestic and had little impact on its neighbours, Mr Quinn said.

Speaking three weeks before Ireland takes over the EU presidency, Mr Quinn said it would be inappropriate for the host country of the European Commission to be excluded from monetary union. Ireland's three main goals for its presidency were first "to advance significantly the whole Emu", Mr Quinn said, sticking with the timetable and convergence criteria already laid down. The second goal was to place employment on the agenda "in a high and concrete way", and the third was to tackle fraud in EU financial programmes. *Rod Oram, Dublin*

Chernobyl clean-up plan

An international consortium of nuclear engineering companies has proposed a 20-year programme to shut down and clean up the Chernobyl nuclear power plant in Ukraine.

Led by SGN/Eurisys, the French state-owned concern, the group includes AEA Technology of the UK, EWN of Germany, JGC of Japan, Canatom of Canada and Fluor Daniel of the US.

The group is proposing a programme to include sealing the stricken reactor, decommissioning the other three, and dealing with the radioactive waste.

The group put the proposals to the Ukrainian government last month and is now seeking funding from the Group of Seven, the European Commission and the European Bank for Reconstruction and Development. *David Lascelles, London*

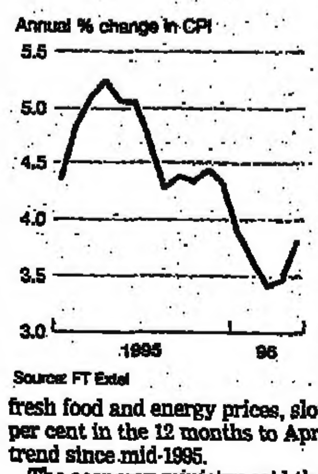
Pressure mounts on Çiller

Secularist pressure mounted on Turkish conservative leader Mrs Tansu Çiller yesterday to abandon her bid for a coalition that would give Islamists their greatest slice of power in Turkey's modern history. An MP of Mrs Ciller's True Path party said he was joining her conservative arch-rivals, raising the possibility of mass defections of deputies angered at her contacts with the Islamists.

"It has reached the point where I can no longer defend my party," MP Mr Mustafa Kupeli told a news conference in Istanbul held jointly with caretaker prime minister Mr Mesut Yilmaz, Mrs Çiller's bitter adversary. Mrs Çiller was to meet Islam-based Welfare party leader Mr Necmettin Erbakan today for coalition talks. Parliamentary sources say the pair are seriously considering a government alliance to end nine months of political chaos. *Reuter, Ankara*

ECONOMIC WATCH

Spanish inflation rises to 3.8%



Spanish consumer prices spurted up by 0.3 per cent last month, pushing the year-on-year rate up to 3.8 per cent compared with 3.5 per cent in April. It was the second successive increase since the consumer price index hit a 25-year year low of 3.4 per cent in March, although analysts said the resurgence was likely to be a passing phenomenon. Sharp price rises for chicken, lamb and pork – a consequence of the "mad cow" scare – were a significant element. Underlying inflation, on the other hand, excluding volatile fresh food and energy prices, slowed to 3.7 per cent from 3.9 per cent in the 12 months to April, continuing a downward trend since mid-1995.

The economy ministry said the figures reinforced its hopes for lower inflation in the medium term. It was still optimistic about narrowing the difference compared with better-performing European Union countries and meeting the inflation criterion for the European single currency. The Bank of Spain kept its benchmark interest rate unchanged at 7.25 per cent yesterday after cutting it by a quarter point at its previous auction last week. *David White, Madrid*

■ The total rate of joblessness in the EU was unchanged at 10.9 per cent in April, with 18.2m people out of work, Eurostat, the EU's statistical office, said yesterday.

Visco to push tax reforms this year

Italy's new finance minister talks to **Andrew Hill** and **Robert Graham**

The new Italian government intends to propose the first reforms of tax on investments as early as autumn this year, according to Mr Vincenzo Visco, the country's finance minister.

Mr Visco, a tax expert named as finance minister only three weeks ago, upset financial markets earlier this week when he told a parliamentary commission that reform of taxation of investment gains was urgently needed.

Interviewed the day after his speech, Mr Visco told the Financial Times he wanted to institute a more systematic approach to the taxation of gains on all financial products. Intermediaries and stockbrokers would act as the channel for collecting existing taxes, by handing over a proportion of their capital gains, net of losses, at the end of each year.

The aim, according to the new minister, is not to introduce a new capital gains tax, but to make the existing system more efficient.

Mr Visco, who was elected with the former communist PDS, said he was puzzled about the market reaction, which he blamed partly on misinterpretation of his comments.

"Everything I said was in the manifesto of the Ulivo [the centre-left coalition which won the April 21 election] – I was just more specific on some points," he said, rejecting claims that his proposals were a sop to hardline Marxists in parliament. "I don't think saying that even the rich have to pay some taxes can be considered particularly left-wing."

The bond futures market was also affected by the speech, because of concern the finance ministry might change its approach to taxation of government bonds, interest on which is subject to a 12.5 per cent withholding tax. Foreign investors in new bond issues are exempt from this tax.

Bonds are still the mainstay of ordinary family savings in Italy. "I don't want to touch anything in that area, because that would be dynamite," said Mr Visco, even though he admitted investment in bonds was "incredibly easy".

Investors in equities can opt to pay a 2 per cent "forfeit" tax on capital gains, which do not have to be declared in detail and therefore cannot be easily checked.

Privately, stockbrokers and bankers agree that the current system is over-generous and probably cannot last. Mr Visco himself says tax rates will have to be harmonised to bring Italy into line with Europe. But the investment community was irritated by the way in which Mr Visco made his plans public and worried that changes could discriminate in favour of bonds and against investment in Italy's growing stock market.

A 25 per cent capital gains tax was introduced in 1991 and suspended just over a year later following protests that its cost and complexity put off small investors. The suspension was prolonged indefinitely in 1994 by the right-wing government of Mr Silvio Berlusconi, which claimed the returns were minimal.

Mr Visco said his proposals were likely to be tabled in the autumn along with the 1997 budget, as part of a two-step fiscal reform. This will include an attempt to improve the efficiency of the 130,000 finance ministry employees, half of them uniformed tax police.

The new minister said he wanted to crack down on evasion by improving co-ordination between tax police and officials, rather than launching further tax amnesties or stepping up raids and spot-checks. "We have to fight useless displays of muscle," he said. As a first step to lighten the bureaucratic burden on small businesses, the ministry is to abolish the infamous *bolla di accompagnamento* – a form which had to be filled in before goods could be delivered.

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Parties joust over Russian 'vote rigging'

By Sander Thoenes in Moscow

Russia's Communist party is so distrustful of the official vote count in Sunday's presidential elections that it has pledged to send two volunteers to each of the 95,000 polling stations to keep a separate record.

The vote, probably followed by a run-off between the two leading candidates in early July, marks the first time Russians have had the chance of removing their ruler peacefully. But both government officials and the opposition have predicted the tally will be falsified and warn that civil war could follow.

Fears of falsification were exacerbated last week when General Pavel Grachev, the minister of defence, announced that in offshore voting the navy had unanimously backed Mr Yeltsin. Under Russian law no ballot box is to be opened until all the polls close on Sunday night.

"I think the election results will be rigged," said Mr Viktor Ilyukhin, a prominent Communist member of parliament, earlier this week. "I don't think we'll elect a president. He will be appointed."

Western observers fear that in the two-week period during which the official vote will be collated, the Communists could claim victory based on their own count, precipitating a crisis if the results do not bear out their expectations.

Polls will open on election day at 8am and close at 10pm local time. In a country with 11 time zones, most voters in the Pacific coast town of Vladivostok will have cast their ballots by the time their fellow citizens in Kaliningrad, on the Baltic coast, line up at the polling station. Only when the booths close there can the results in the Far East and exit polls in the rest of the country be broadcast.

The minimum required voter turnout for the elections is 50 per cent, but at least two thirds of the 107m eligible Russians are expected to take part. True to Soviet tradition of 98 per cent turnouts, election officials will bring portable ballot boxes to invalids, a practice that critics say allows for ballot stuffing.

The winner should receive more than 50 per cent of the ballots cast, and that may be difficult as the latest polls show Mr Boris Yeltsin, the front-runner, at just 52 per cent in a run-off vote against his Communist rival, Mr Gennady Zyuganov. Practice has shown that Communist voters are much more likely to go to the polling station.

If no candidate wins 50 per cent of the vote outright, the rather vague election law stipulates that a run-off vote should be held no later than 15 days after the results of the first round are published. This vote has been tentatively scheduled for July 7, but one presidential aide has caused confusion by calling for a vote on July 3, a Wednesday, to allow Russians to spend their summer weekend at their summer homes.

If Mr Yeltsin were to lose the elections, the president-elect would find there is no lawful process for the transfer of power. Mr Yeltsin has yet to sign a draft law, passed by both chambers of parliament, that would have the new president sworn in within 30 days of his election.

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Media place glasnost on ice

Sander Thoenes and **John Thornhill** on Russian election propaganda

At least one of Lenin's observations still holds true in the new Russia: "There is no such thing as freedom of the press. There is only freedom for the rich to deceive the oppressed and exploited masses."

A decade ago Mr Mikhail Gorbachev, then general secretary of the Communist Party of the Soviet Union, gave journalists a taste for freedom of the press when he launched a careful campaign for more openness, or *glasnost*, in the mass media. Five years ago journalists clamoured for full independence and vowed that objectivity was their ultimate goal.

Another five years later, these same journalists are doing one better on the Soviet propagandists of lore. Newspaper, radio and television journalists have dropped all efforts at fair reporting, devoting their pages and airwaves to promoting their favourite candidate in the election for president on Sunday.

"There is a propaganda campaign going on. There is outright propaganda, and subtle propaganda aimed at the intellectuals," says Mr Sergei Chugayev, political reporter at the respected daily newspaper Izvestia. "That's only natural."

Like most mass media, Izvestia favours Mr Boris Yeltsin and vilifies his communist rival, Mr Gennady Zyuganov. "We are united in the face of a common threat," says Mr Chugayev, who focuses his reports on highlighting rifts within the Communist party. "We are more opposed to the Communists than we are in favour of the president. I would not write anything right now that would hurt him. We leave that for after the elections."

"Journalism has become more subjective in recent months. That is bad but it's unavoidable," says Ms Tatyana Malkina, who writes glowing reports on Mr Yeltsin's campaign for the independent daily Segodnya. "There is not one Russian journalist who looks at the elections as just some neutral topic. After all, they could radically change things around here.

"I'm not under pressure from anyone," adds Ms Malkina. "It's more a matter of personal loyalty – when you feel your civic duty outweighs your professional duty."

Pro-Yeltsin bankers and businessmen own or sponsor most national dailies, including Segodnya and Izvestia, and two of the three nationwide television stations. The other state-owned station is fully state-owned and has excelled in promoting Mr Yeltsin.

Mr Igor Malashenko, president of the country's only private television station, earlier this spring joined the president's campaign team.

His station is owned by a banker and the chairman of Russia's gas monopoly Gazprom, both fervent fans of the president.

"Our regional mass media are in the hands of the local government," says Mr Alexei Frolov, a media expert who monitors the regional press. As mayors and governors still control access to paper supplies and state subsidies for the impoverished local newspapers, Mr Frolov says "the fate of the elections in the regions depends on the views of the local leadership".

Mr Yeltsin has an edge here because most governors and mayors are his appointees, but, says Mr Frolov, "many bureaucrats are pro-Zyuganov".

While Izvestia and Segodnya may be accused of a subtle bias, other papers are hitting well below Mr Zyuganov's belt. One free sheet, distributed around Russia, had a doctored photo of Mr Zyuganov appearing to deliver the Nazi greeting. The heading: "Zyug Heil".

Communist party officials have complained of a "dirty tricks" campaign against Mr Zyuganov. Last month Komsomolskaya Pravda, a racy broadsheet newspaper sponsored by Gazprom, published what it claimed was a leaked version of Mr Zyuganov's economic programme.

It included alarming proposals to force Russians to exchange their US dollar savings into roubles at a disadvantageous exchange rate, and bore no relation to Mr Zyuganov's official programme, released later in the month.

Last week, Nezavisimaya Gazeta, which translates as Independent Newspaper, ran an anonymous essay predicting civil war if the Communists came to power. Mr Zyuganov said he had appealed to the General Prosecutor to press libel charges.

"It's done rather crudely here, but it works," says Mr Frolov, citing audience polls on the mass media to dismiss suggestions that communist-bashing may backfire. "Clinton may play the saxophone, but something like that would only irritate here. The closer to the old-style communist propaganda, the better it sells in the regions."

Rather than citing Lenin, Mr Chugayev prefers to quote Joseph Goebbels, Hitler's minister for propaganda: "If you repeat a lie often enough, people will start to believe it."

"What are your complaints?" asks the centrefold of a full-colour newspaper that has begun mysteriously appearing in mail-boxes throughout Russia, writes Chrystia Freeland in Moscow.

Vehemently anti-communist, the newspaper God Forbid!, whose masthead pledges to describe "what could happen in Russia after June 16", features Mr Gennady Zyuganov, the Communist presidential candidate, as a surgeon holding scalpels shaped like a hammer and sickle.

A group of prominent Russian journalists have identified themselves as the editorial board, and said the tabloid was funded by President Boris Yeltsin's supporters.

Mr Zyuganov has tried to look on the bright side. "If three television channels and all the big newspapers aren't enough for Mr Yeltsin, then things can't be going quite as well as he claims," Mr Zyuganov said.

Slovenia pulp plant sale to be renegotiated

By Gavin Gray in Ljubljana

Nationalists have forced the Slovenian government to renegotiate the sale of the country's largest pulp and paper factory to a Czech company, to fend off protests from those angered by its privatisation to a foreign group.

On Wednesday parliament rejected a motion to nationalise the bankrupt company, Videm Krsko, but Mr Metod Dragonja, minister of economic affairs, said the government would try to raise the sale price. It has not yet decided whether to open new talks with ICEC Holding, the Czech company which won a tender in March for Videm, or to call for new bids.

ICEC offered DM35.5m ($23m) for Videm, which has been in bankruptcy proceedings since 1993 with debts exceeding DM200m. But it has not been able to take control of the company or visit the premises because of a legal challenge from the management, which submitted a lower bid and wants the company to stay in Slovenian hands.

But the idea of a Czech company buying Videm was greeted badly in Slovenia, where foreign companies already own two large paper and cardboard plants near the capital Ljubljana. Mr Zare Pregelj, a deputy from the opposition Slovenian People's Party, described the pending sale as "economic capitulation". Delo, Slovenia's highest circulation newspaper, speculated in March that ICEC would close down Videm and ship its equipment to Ukraine.

Under pressure from nationalists, the Slovenian government became involved in the dispute in April when it asked ICEC to sign a contract committing itself to future investment, employment and improving the environment at Videm, which is a big polluter. Mr Jaroslav Dostal, president of ICEC, says he was happy to do so, since this already formed part of its business plan.

ICEC, founded in 1989 by Mr Dostal, has acquired pulp and paper facilities in the Czech Republic and last year recorded turnover of $180m. Acquisition of Videm would be its first investment abroad and forms part of a strategy of expanding throughout central and eastern Europe.

Fininvest seeks to woo magistrates

By Robert Graham in Rome

Fininvest, the business empire controlled by former premier Silvio Berlusconi, is seeking to establish a dialogue with anti-corruption magistrates in Milan after months of bitter confrontation.

The move coincides with the build-up to the flotation next month of some 20 per cent of Mediaset, the company formed last year to own the TV interests of Fininvest.

The most striking evidence of this new approach has been the voluntary return to Italy of Mr Giorgio Vanoni, in charge of Fininvest's offshore companies and against whom two arrest warrants have been outstanding.

The 59-year-old Fininvest manager handed himself over on Tuesday to police in Milan after refusing to return to Italy since November 23 when the first arrest warrant was issued. Prof Ennio Amodio, the chief criminal lawyer acting for Fininvest, said yesterday Mr Vanoni's return marked an important turning point and was part of the group's strategy to present a clean sheet in advance of the Mediaset flotation.

Fininvest refused to confirm whether Mr Vanoni's decision to co-operate had been negotiated in advance with Milan magistrates. But those familiar with the operation of the Milan magistrature said yesterday it was unlikely a Fininvest executive who deliberately stayed out of the country for seven months to avoid arrest should have come back to face immediate imprisonment without a some prior arrangement. Similar arrangements are reportedly under discussion with two other executives of Mr Berlusconi's group under arrest in Monte Carlo since May 13.

A big shake-up is under way in Fininvest's organisational structure. This could also include the removal from the Fininvest board of persons under investigation for alleged corruption by Milan magistrates.

Argentina to probe more IBM deals

By David Pilling in Buenos Aires

Argentine prosecutors were yesterday expected to begin a criminal investigation into data-processing contracts worth $513m between IBM and Argentina's inland revenue service (DGI) after allegations that the two contracts, signed in 1994, were overpriced and awarded in disregard of standard government procedures.

The allegations add to the woes of IBM Argentina, several of whose top executives were indicted in April on suspicion of having defrauded the Argentine state in a $249m contract with state-owned Banco Nación. IBM, which sacked its top directors in the country last September, admits that "serious management errors" occurred, but denies it paid bribes to win the Nación contract.

Mr Horacio Viqueira, a deputy representing the opposition Frepaso alliance, was yesterday due to present testimony on the DGI case to Mr Carlos Liporaci, a federal judge. According to Mr Viqueira, two contracts signed in 1994 between the DGI, IBM and local group Banelco were "grossly overpriced". They were also awarded directly under an emergency decree, circumventing requirements for an international tender.

Drawing parallels between the Nación and DGI contracts, in which IBM used some of the same sub-contractors, Mr Viqueira said: "We believe there is a modus operandi in the relationship between certain business groups and the administrative authorities of this country.

"This is an absolutely foul practice, with clear indications of corruption."

In both cases, IBM sub-contracted Consad, an Argentine information-services consulting company. In the Nación contract, Consad, through related company CCR, charged IBM $37m for a computer back-up system that was never required. It is alleged some of this money was used to pay bribes to government officials.

The entire directorate of Banco Nación resigned last year, as did Mr Juan Alberto Cattáneo, a founder of Consad and, until the IBM scandal broke, President Carlos Menem's deputy cabinet secretary.

"IBM stands by the contract with the DGI," a company spokesman said yesterday. "We believe it was a fair price and we have provided services as required by the contract."

IBM earlier this week admitted it was renegotiating the Nación contract with a view to lowering the $249m price. Nación, whose new directorate has stopped payments to IBM, is believed to be seeking termination of the contract and compensation.

US retail sales shrug off rates rise

By Michael Prowse in Washington

US retail sales rose 0.8 per cent last month and 5.5 per cent in the year to May, providing further confirmation of a strong economic rebound, official figures indicated yesterday.

The increase reflected the strength of car and home sales, which have soared in spite of a sharp increase in long-term interest rates.

Car sales rose 2.1 per cent last month, after a decline in April. Sales of building materials and furniture, which are closely tied to home sales, rose 2.5 per cent and 1.6 per cent respectively.

Figures for April were revised to show a decline of 0.1 per cent, rather than a decline of 0.3 per cent as previously reported.

The sales gain last month was not quite as strong as Wall Street economists expected, because of weakness in food and restaurant sales. However, it implies growth of consumer spending in the second quarter at an annualised rate of about 3 per cent in real terms. With corporate inventories expected to rebound, that would be consistent with overall economic growth at an annualised rate of about 4 per cent, well above the economy's long-run potential.

Many economists expect the Federal Reserve to begin nudging short-term interest rates higher in order to slow growth to a more sustainable pace. A move could come as soon as its policy meeting early next month.

Some analysts, however, argue that the Fed will delay action in the hope that the economy will decelerate naturally in the second half of the year.

Forces expected to put downward pressure on growth include the sharp rise in long bond yields and relatively high levels of consumer debt.

The increase in sales followed other signs of faster growth, including an unexpected jump in payroll employment last month.

AMERICAN NEWS DIGEST

Court setback for rights lobby

The US Supreme Court yesterday dealt a qualified setback for minorities and civil rights advocates by ruling that race may not be the "predominant factor" in redrawing congressional boundaries.

In a pair of 5-4 votes, the bench found that five congressional districts – three in Texas and two in North Carolina – were not formed in accordance with the constitution because boundaries had been redrawn principally to meet the perceived needs of Hispanic and black voters. Four are now represented in Congress by black Democrats.

Justice Sandra Day O'Connor, a pivotal swing vote on the bench, wrote: "Our precedents, which acknowledge voters as more than mere racial statistics, play an important role in defining the political identity of the American voter." She was joined by the court's four most conservative members.

But she added that there could be cases where race-conscious re-apportionment was constitutional, even if specifically designed to give minorities a better chance of electing a member of Congress. Only if race could be proved the "predominant factor", ahead of all other legitimate considerations, should a challenge to redistricting be sustained. For the minority, Justice John Paul Stevens robustly argued that "the court's aggressive supervision of state action designed to accommodate the political concerns of historically disadvantaged minority groups is seriously misguided". *Jurek Martin, Washington*

Fire destroys another church

A church serving a predominantly black congregation in Enid, Oklahoma, was destroyed by fire early yesterday and police said the blaze appeared to have been started deliberately.

The fire follows a wave of blazes that have destroyed more than 30 churches across nine southern states in the past 18 months, thrusting the issue of racist violence back into the national spotlight.

President Bill Clinton visited the site of a destroyed church in Greeleyville, South Carolina, on Wednesday to call on Americans "to show the forces of hatred they cannot win".

Law enforcement agencies investigating the rash of burnings have made arrests in 10 cases but have so far found no evidence of a conspiracy. *Reuter, Enid*

Guatemala in Mayan accord

Guatemala has ratified an international labour convention on the rights of indigenous and tribal peoples, in an important step towards ending Latin America's oldest civil war.

Ratification of the convention, formally accepted yesterday by the International Labour Organisation, is a key element in United Nations-sponsored talks on ending the 30-year-old Guatemalan conflict. A comprehensive peace accord is expected to be signed in September.

Under the convention, the Guatemalan government guarantees to respect the rights and values of its majority Mayan population and consult them on decisions affecting their economic or social development.

Meanwhile, five central American nations – Costa Rica, El Salvador, Guatemala, Nicaragua and Panama – have signed up for an ILO programme designed to help eliminate child labour. Similar agreements were signed last week by Bolivia and Chile and are planned for Colombia, Honduras, Paraguay, Peru and Venezuela. The ILO says children throughout central America are working in industries, including mining, agriculture and manufacturing, that damage their health and development. *Frances Williams, Geneva*

Doubts remain as Samper absolved

By Sarita Kendall in Bògotá

Colombia's Congress has voted overwhelmingly to absolve President Ernesto Samper of any responsibility for receiving drug trafficking funds in the 1994 Liberal party election campaign.

The verdict of the Liberal-dominated Congress was never in doubt. But it has left questions about whether, having won the vote, Mr Samper will be able to govern the country. After two weeks of speeches in the House of Representatives, the debate finished at midnight on Wednesday with a final vote of 111 to 43 in favour of closing the case. The president cannot be reinvestigated for the charges, which included illicit enrichment, fraud and cover-up.

Mr Samper is now expected to argue for national reconciliation and to offer political and economic solutions, with a possible cabinet reshuffle. However, some of the government's main adversaries have already said they will not accept ministries.

Other solutions discussed in recent weeks have included a plebiscite designed to restore Mr Samper's credibility and early elections, though neither of these paths has been received with much enthusiasm.

Business and Conservative party leaders said the congressional decision did not help resolve Colombia's "crisis of governability" or to restore confidence. They also pointed out that, now the president has been exonerated, he can step down with dignity.

"The crisis has shown up a vacuum and the lack of organised opposition – no one knows what they want," said Mr Fernando Cepeda, a professor of political science and a former minister. "There could be serious confrontation and disorder."

A "national restoration movement" with strong support from the Bogotá, Cali and Medellin business communities has proposed a civil disobedience campaign. If the social conflict were to deepen, some analysts believe the military might carry out a "technical" coup to ease the transition to an uncontaminated administration.

US reaction to the congressional decision may come in the form of economic sanctions, following the decertification in March of Colombia's anti-drug efforts and doubts about the impartiality of Congress. Recognising this, the Samper government has put out suggestions – including subsidies – for minimising the effect of higher tariffs on exports to the US.

Trade and financial sanctions or the cancellation of landing rights of Colombian airlines would further alienate the business community from the government, but would also reinforce the manipulative populism that blames the US for conspiring against the president.

Mr Samper still had nearly half the country backing him before the congressional absolution, according to most opinion polls. Although it will be difficult for the president to shake off the taint of drug money, the need to regroup the Liberal party in preparation for 1998 elections will help it to close ranks around him.

The freeing of former president César Gaviria's brother by kidnappers just before the congressional vote could be significant in this process: the smiling embraces of Mr Samper and Mr Gaviria suggest that support – or at least less antagonism – from the Gaviria wing of the Liberal party might be forthcoming.

Dole draws line in abortion rumpus

By Jurek Martin, US Editor, in Washington

Mr Bob Dole has drawn a clear line in the sand this week, telling Christian and cultural conservatives that he will not allow them to hold the Republican party to ransom over the issue of abortion.

Not only is the apparent Republican presidential nominee insisting that the party platform contain a declaration of "tolerance", but he has also begun to criticise leaders of the pro-life movement.

His specific target is Mr Gary Bauer, a former Reagan administration official who now is the vocal head of the Family Research Council, the Washington-based lobby.

When Mr Bauer, along with other religious conservatives, warned of a convention fight against any attempt to weaken the platform's long-standing call for a ban on abortions, Mr Dole responded with a tartness normally reserved for Democrats. "Am I to tell [pro-choice] women that they can't support me because Gary doesn't like it? Give me a break."

The former senator and majority leader, now campaigning across the country as "Citizen Dole", wants his declaration of tolerance attached to whatever the agreed convention language is on abortion, rather than made part of the general preamble to the platform alongside other issues such as taxes and trade.

His new resolve may well have been encouraged by Senator John Warner's easy Virginia primary victory on Tuesday over an opponent strongly supported by the religious right. But Christian conservatives themselves appear divided, with Mr Ralph Reed, head of the Christian Coalition, expressing sympathy with Mr Dole's espousal of tolerance.

Bob Dole: new resolve

Other commentators, such as Mr Tom Edsall in yesterday's Washington Post, have compared Mr Dole's determination to take on a powerful but divisive party constituency with then candidate Bill Clinton's battle four years ago with the Rev Jesse Jackson, the Democratic counterpart on the left.

The difference may be that Mr Jackson, who has acute political antennae, backed down rather quickly whereas the anti-abortion forces in the Republican party find compromise abhorrent. They may also have the strength in numbers to make the San Diego convention in August just as unappealing to moderate and independent voters as the party's Houston gathering of 1992.

Nancy Dunne tracks the US film company's protracted and expensive trade dispute with Fuji of Japan

Exposed: Kodak's path to the WTO

In May last year Kodak officials were brimming with confidence when their new chairman, Mr George Fisher, announced that the company had filed a complaint against Japan's Fuji with the US Trade Representative.

The 1,000-page complaint – the best documented case of its kind, Kodak said – detailed the now familiar story of a US company fighting to get its products on to the shelves of Japanese stores and sold at competitive prices. Kodak accused the Japanese government of supporting "anti-competitive" practices beginning in the 1970s and reinforcing Fuji's hegemony two decades later by not doing anything about it.

A year after the filing, the world's two photographic giants – having spent untold millions on lawyers, lobbyists and public relations – have apparently fought each other to a standstill. Yesterday the US Trade Representative's office announced not threats or sanctions in the usual US government fashion, but a decision to take Kodak's complaints to a multilateral forum – the World Trade Organisation.

Kodak portrays itself as a David to Fuji's Goliath, saying its case has been dwarfed by its rival's public relations and lobbying efforts. Fuji says the case at first seemed an easy win for Kodak and only the commitment of substantial resources (no one will say how much) and its aggressive response has "levelled the playing field".

The public phase of the case began with a briefing by Mr Fisher: "Since arriving at Kodak 18 months ago, I have spent many a waking hour studying how Kodak can become more competitive," he said. His solution: a complaint, filed under Section 301 of US trade law. This requires the Trade Representative to investigate an alleged foreign trade barrier, and then, over a period of a year, negotiate it away, if necessary – and it usually is – by threatening trade retaliation.

Section 301 was an obvious choice for Mr Fisher, who previously, as chairman of Motorola, had successfully wielded the law to get a chunk of Japan's cellular phone market. For the Kodak fight, he hired a well connected legal team led by Mr Alan Wolff of Dewey Ballantine, the most prominent trade advocate for US companies.

At the start, administration officials were described as impressed with Kodak's case. On July 3, Mr Mickey Kantor, Trade Representative at the time, officially accepted the complaint for action.

"George Fisher understood the system and the built-in advantages any US company would have in playing the [301] game," said Mr Rob Rehg, senior vice president of Edelman, Fuji's long-time public relations firm. Fuji's strategists believed the small Trade Representative's office would never have time to investigate the case properly, and resolved to neutralise the home court advantage by presenting overwhelming refutation of Kodak's evidence.

"We decided we would match them pound for pound in terms of paper," Mr Rehg said.

He and his colleagues moved swiftly. Journalists leaving Mr Fisher's press conference were handed Fuji's written responses. Over the months they were showered with documents, briefs, letters, even videos showing Kodak film being sold in Japan.

Mr Bill Barringer of Willke Farr & Gallagher, long a Washington lawyer for foreign firms, headed the legal team. They were supported by a five-person Edelman team, including Mr Mike Deaver, the communications wizard of the Reagan White House, and a lobbying firm headed by two former congressmen, one a Republican, the other a Democrat.

Two months after the Kodak case was announced, Fuji produced a 585-page document, portraying Kodak's case as no more than "a heavy-handed attempt to shift the blame for its own poor business decisions". Kodak's marketing methods in the US were described as little different from Fuji's in Japan. Kodak's market share – about 70 per cent in the US – was proclaimed the mirror image of Fuji's in Japan. Fuji's lawyers argued that under Section 301, Kodak was required to prove that the US market was more open than that of its foreign rival.

The trade office has been inundated with letters and documents from Fuji's representatives. Since July 31, Fuji has made 17 submissions to Kodak's nine.

In September, for example, Willke Farr sent US trade officials a list of questions for Kodak Japan. Why was Kodak not more aggressive in passing along the benefits of the dollar's depreciation to Japanese consumers? Could Kodak substantiate its assertion that it had spent $750m trying to advertise and promote its products in Japan over the last decade?

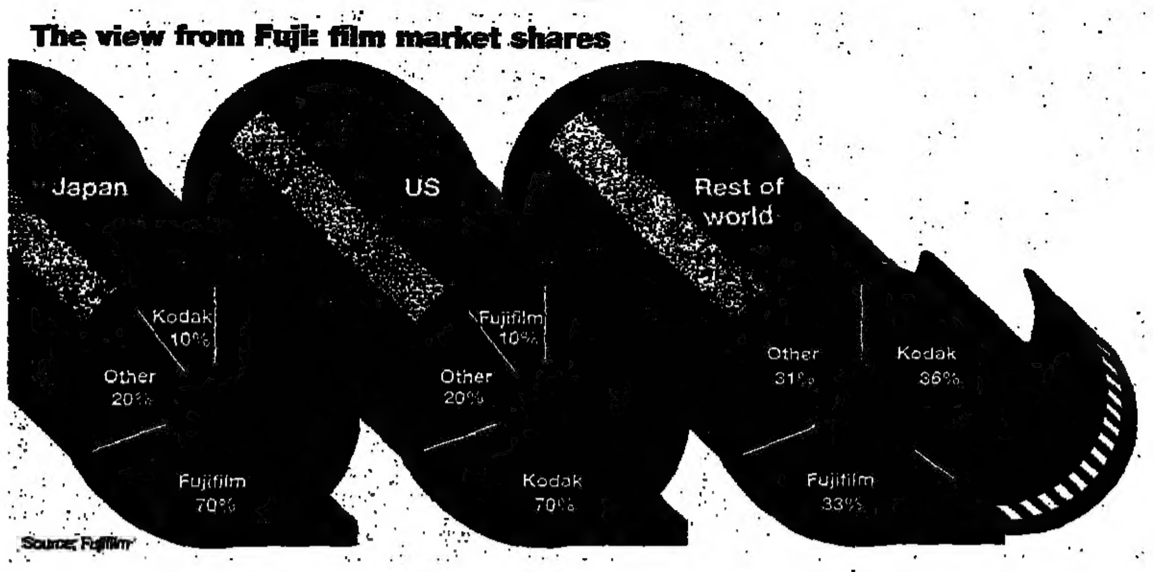
In February Fuji's lawyers submitted a report to the US Trade Representative rebutting Kodak's claims of a "price fixing conspiracy" in Japan. It welcomed news that the Japan's anti-trust agency, the Fair Trade Commission, would study the industry, insisting this was "the latest chapter in a long history of careful scrutiny". It began building the fourth of seven planned plants in Greenwood, South Carolina.

Kodak was also busy, refining and explaining its case, but Mr Fisher was beginning to sound worried. In February he gave a speech dubbing "unprecedented" Japan's refusal to discuss the case and warned that Tokyo "is testing the resolve of the US government to deal effectively with market access issues".

As the July 3 deadline for decision approached, Kodak's lawyers sought to shape the case applicable under the WTO's narrower rules. Meanwhile, the US trade deficit with Japan has been declining, and the US has become more concerned about instability in the Asian region where Japan is the anchor of its security policy.

America's trading partners are now defiantly pronouncing bilateralism dead. For the time, at least, it seems gravely wounded.

The view from Fuji: film market shares



Source: Fujifilm

Europeans press Clinton to waive new Cuba law

By Stephen Fidler and news agencies

US President Bill Clinton is under increasing pressure from European and other governments to waive part of a controversial law that would allow US nationals to sue foreign companies using property confiscated by the Cuban government.

The provisions of the Helms-Burton legislation, signed into law in March, will come into effect on August 1, and pave the way for lawsuits from November 1.

However, the president can suspend the right to sue at six-monthly intervals if he believes this is in national security interests and will speed the transition to democracy in Cuba.

"We use every opportunity we can to press our view on this issue to the US administration," said one British official yesterday.

Mr Jacques Santer, president of the European Commission, raised the issue at a US-European Union summit in Washington on Wednesday. "We did raise our concerns about the legislation in no uncertain terms with our American colleagues," Mr Santer said after a White House meeting with Mr Clinton and Italian President Romano Prodi. Italy currently holds the revolving presidency of the EU.

"We do not believe it is justifiable or effective for one country to impose its tactics on others and to threaten its friends while targeting its adversaries," Mr Santer added. "If that is done, it is bound to lead to reactions which it is in the interest of us both to avoid."

Mr Clinton said he was "very sensitive" to the EU concerns, and said they were being reviewed. But he added: "We think... the persistent refusal of Cuba to move toward democracy or openness and the particular problems that causes for countries in our hemisphere, and for the United States especially, justified the passage of the bill."

On a five-day official visit to Canada, the Mexican President Ernesto Zedillo said his government was considering legislation to counter the law. Meanwhile, Canada is expected also to unveil retaliatory measures at any time.

Britain is considering invoking the 1980 Protection of Trading Interest Act that could, among other things, forbid British companies from complying with document requests from US courts and allow them to countersue.

Governments outside the US are also becoming worried about draft legislation in both houses of Congress aiming to impose sanctions on companies investing in Libya or Iran. This is expected to cause further problems between the US and its partners in Europe.

Editorial Comment, Page 19

Second Singapore wafer plant for SGS-Thomson

By James Kynge in Singapore

SGS-Thomson Microelectronics, the French-Italian semiconductor company, yesterday announced a S$1bn (US$714m) investment in a fabrication plant in Singapore to make advanced wafers, mainly for export.

The new unit, Ang Mo Kio 8, will be built adjacent to the company's existing plant and will have a capacity of 5,000 8-inch submicron wafers a week. Construction is due to start in October this year and production of 1,000 wafers a week will begin in late 1998.

Mr Alain Dutheil, corporate vice-president in charge of strategic planning, said the speed at which capacity was expanded from the 1,000-wafer level would depend on demand. Only when demand justified it would extra equipment be installed, he said.

He added that fears of over-capacity in the Asia-Pacific region centred on D-Ram semiconductor production. The wafers to be made in Singapore would be used in mobile phones, computer disc drives and multimedia equipment, sectors in which there were fewer oversupply concerns.

Expectations of a rebound in semiconductor sales were lifted yesterday by an unexpectedly high book-to-bill ratio of 0.84 and a rise in chip orders during May, the first increase since January.

Analysts had expected the ratio, which measures computer chip orders against shipments, to be under 0.80.

Mr Dutheil said Singapore had granted a long-term loan, and tax holidays and training grants, to induce the company to invest in the city state, rather than in neighbouring countries. But the expertise among 1,200 staff at the existing 5-inch wafer plant was the prime reason for locating in Singapore.

Construction costs of the new plant will be S$180m, with the installation of equipment to enable the 1,000-wafer capacity to be reached costing a further S$200m.

About 45 per cent of SGS-Thomson's Asia-Pacific turnover of $925m in 1995 came from Singapore. Regional revenue in 1995 grew by about 50 per cent but has slowed markedly in 1996. Semiconductor sales in the Asia-Pacific region are predicted to grow by about 15 per cent this year, against about 8 per cent worldwide.

The new Singapore plant will be the sixth 8-inch wafer plant which SGS-Thomson has announced or is operating. At full capacity it would account for 10 per cent of the company's global wafer production, executives said.

Mr Philip Yeo, chairman of Singapore's Economic Development Board, said the city-state was aggressively promoting the establishment of wafer plants and the SGS-Thomson plant would complement local industry.

WORLD TRADE NEWS DIGEST

Russian oil venture formed

An international consortium has been formed to develop oil fields in the Nenets and Komi regions in Russia's far north.

Elf Aquitaine, the biggest French oil company, yesterday signed an agreement with KomiTek, a state-owned local oil concern, and Neste of Finland to develop oil fields in the Shapinko area, about 2,000km north of Moscow.

Elf said the partners would contribute their knowledge and technology to the venture, SeverTek. Elf would hold 30 per cent, KomiTek 50 per cent and Neste 20 per cent.

The new company is due to start operations next winter, the only time when heavy equipment can be brought into the area by overland routes. There has been substantial international oil company interest in the Nenets and Komi regions, mostly because the area has a number of undeveloped oil discoveries.

Robert Corzine, London

BA alliance comes under fire

Carlson Wagonlit, one of the world's largest business travel companies, yesterday condemned the proposed alliance between British Airways and American Airlines, saying it would reduce choice for travellers.

Mr Richard Lovell, Carlson Wagonlit's executive vice president, said the alliance could result in a reduction in price competition. The two airlines accounted for 60 per cent of flights between the US and UK and 70 per cent of traffic between London and New York. "In any normal market situation this could be regarded as a near monopoly," he said.

Michael Skapinker, Aerospace Correspondent

China resumes rocket launches

China plans to put three communications satellites into orbit this year, with launches resuming early next month, China Aerospace Corporation said yesterday. Foreign confidence in China's space industry ebbed after two rockets exploded shortly after takeoff, one in January 1995 and the other last February. Next month's launch of a Long March 3 rocket will lift into orbit the US-made Apstar 1A telecommunications satellite, built by Hughes Space and Communications. The satellite had been scheduled for launch in March but the lift-off was delayed after the first new-generation Long March 3B rocket carrying the Intelsat 708 orbiter veered off course and exploded in February.

The second satellite was to be launched in either late July or early August and would also carry a Hughes-made satellite. The third satellite, the Chinese-made East is Red Number Three, would be launched after October, using the new Long March 3A rocket, which has successfully taken two satellites into orbit. International customers, including global consortium Intelsat, have cancelled four launches since the February explosion.

Foreign Staff

Trinidad plans LNG plant

The government of Trinidad and Tobago has approved the construction of a $1bn liquefied natural gas (LNG) plant by a consortium of US, Spanish and local companies. The plant will produce 3m tonnes of LNG per year, starting in 1999. Amoco of the US has a 34 per cent stake in Atlantic LNG, the consortium, with Repsol of Spain, a big shareholder in Gas Natural, also of Spain, holding 20 per cent. Cabot LNG of the US has a 10 per cent holding, with the remaining equity retained by the state-owned Natural Gas Company of Trinidad and Tobago. Cabot LNG will purchase 60 per cent of the plant's output, while the remainder will be bought by Enagas of Spain, a subsidiary of Gas Natural. Exports of liquefied natural gas from the venture will earn Trinidad and Tobago about $175m per year.

Canute James, Kingston

Bovis wins more Czech orders

Bovis, the UK construction company, is continuing to expand its Czech order book with the award of three more contracts worth more than £20m ($30.6m). The company, a division of P&O the UK shipping, property and construction group, has won 16 contracts worth £60m since it opened its offices in Prague in 1991. The latest orders include technical consultancy services for the £13m Parukarka development to the east of Prague for the real estate division of IPB Real, a Czech bank.

Bovis has also won separate management construction contracts for a £5m refurbishment of a spa and sanatorium at Luhacovice, Eastern Moravia and for a £3m airbag manufacturing plant for Automotive Safety Components International at Jevicko, Moravia. The plant will produce airbags for the Volkswagen group.

Andrew Taylor, London

Malaysia awards controversial dam contract

By James Kynge

Malaysia yesterday awarded a M$13.6bn (US$5.4bn) contract to build the Bakun dam, a project regarded with pride in the country but which critics decry as environmentally destructive and economically questionable.

ABB Asea Brown Boveri, the Swiss-Swedish engineering concern, and CBPO of Brazil beat bids from more than 40 companies to win the engineering procurement and construction contract. They will design and build the dam deep in the rainforest of Malaysia's eastern state of Sarawak.

ABB-CBPO will subcontract the laying of a 650km submarine cable from the area to peninsular Malaysia.

Malaysia says the project, ardently supported by Dr Mahathir Mohamed, the prime minister, will catapult the poor Borneo region from the 19th into the 21st century and ensure an electricity surplus for a country suffering regular power cuts.

But environmentalists are alarmed by the scale of the project which will clear 69,000 hectares of forest, flood an area the size of Singapore and force 9,000 tribes people to move. The dam, nearly twice the height of Egypt's Aswan dam, will also increase the risk of waterborne diseases, threaten protected flora and fauna and worsen water quality, environmentalists say.

Economists said smaller generators would have been more cost-efficient and less environmentally damaging.

Other criticism centres on transporting the power through 670km of overhead cables from the dam and then through the undersea cable to the national grid. Some estimate that 12 per cent of the electricity could be lost in transmission. Others fear that if the cable were ever severed, it could damage industry.

Suzuki bolsters global ambition

By John Griffiths in London

Senior managers of Suzuki of Japan have been set a target of capturing 5 per cent of the world market for cars and light four-wheel-drive vehicles by the turn of the decade.

This will require a doubling of Suzuki's market share in western Europe, where its dealer networks have been substantially underperforming. Last year Suzuki sold just over 120,000 vehicles in west Europe – a 1 per cent market share.

Managers have been told that average sales per dealer in Europe, currently about 65 a year, must be doubled to around 130 and that under-investment by many dealers in the franchise must be remedied. Suzuki has 23 distributors in Europe, about half of which are owned by Suzuki, with the remainder independents.

However, Mr John Norman, managing director of Suzuki (GB), said sales networks would be helped towards their goal by a widening of the company's model ranges. He was speaking at the UK launch of the X-90, a two-seater "life-style" leisure off-road vehicle as yet to have an equivalent from rival manufacturers.

The new global sales target would require a 40 per cent sales increase for Suzuki, which is the world's 12th largest vehicle maker. A 5 per cent world market share represents about 2.5m vehicles.

In its last financial year, to the end of March, Suzuki sold 1.8m vehicles, with 1m sales made outside Japan.

The company is already breaking out of its traditional role as a niche and "mini-car" producer, with the introduction of its Baleno saloons and estates which are competing in mainstream car market sectors.

Some 40 per cent of Suzuki's sales were of "conventional" cars, Mr Norman said.

Suzuki claims its global sales plan will not be blown off course by the high yen and other production difficulties in Japan. It now has 51 assembly, or more integrated, vehicle production facilities outside Japan, including plants in Spain and Hungary.

Executives say costs are being pared at Japanese plants to the point where production will be viable at an exchange rate of Y80=$1.

Heineken reach parts other Burundian revenues fail to reach

With aid cut off and coffee prices down, a single brewery is sustaining the economy, reports Michela Wrong

Mr Georges Hanin, Belgian manager of the Brarudi brewery in downtown Bujumbura, deserves every one of the neatly framed industry awards that hang outside his office.

For despite death threats, general strikes, power cuts and water shortages – the everyday hazards of operating in strife-torn Burundi – his factory has continued rolling out bottles of Amstel and Primus beers, Coke and other soft drinks for purely domestic consumption 24 hours a day.

"Since I arrived in 1994 we have never stopped producing," he boasts. "It is a record in Bujumbura."

More than professional pride or an obsession with profits lies behind such dedication. For as Burundi's economy begins to buckle under the strain of two and a half years of ethnic violence, the brewery is emerging not only as a symbol of determination in the face of adversity but as the guarantor of an embattled government's financial solvency.

"If the brewery did not exist, the country would be in chaos," admits Mr Salvator Toyi, the finance minister. "As it is, we wait to receive our cheque from Brarudi before paying salaries."

Traditionally, the backbone of the Burundian economy was coffee – which provided 85 per cent of export earnings – boosted by hefty injections of foreign aid.

Now these sources are withering away, damaged by violence in the interior, where both the army and Hutu rebels carry out tit-for-tat reprisals, and the disapproval of foreign governments who feel a political elite is not doing enough to reconcile two increasingly polarised ethnic communities.

That leaves the brewery as a key source of the revenue needed to keep the wheels of government turning; in particular, the salaries of the Tutsi-dominated civil service and military.

Last year Brarudi, owned 60 per cent by Heineken and 40 per cent by the government, provided 27 per cent of national tax receipts, two and a half times as much as coffee. This year the figure will be higher, nearer the 40 per cent habitually cited by local residents.

High world prices for coffee brought Burundi a much-needed windfall last year, but the market has plunged since then. While output is expected to reach 30,000 tonnes, experts say instability has hit quality and the beans no longer fetch the premium they once enjoyed. Coffee's contribution to state coffers this year will be less than a third of the $32m of 1994-95.

At the same time aid has dried up, in part because it is no longer clear how to invest in a collapsing state, in part because donors want to shock an apparently complacent leadership into action.

In April, Mr Brian Atwood of USAID and Ms Emma Bonino, European Commissioner, said they could no longer continue providing 23 per cent of Burundi's gross national product. UN officials estimate aid flows, once $300m-$330m a year, have dropped to $70m a year.

The cut coincides with a general recession, caused by power failures, distribution problems and the evaporation of investor confidence. Since the army assassinated Burundi's first Hutu president in 1993, triggering the crisis, agricultural production has fallen 22 per cent, industrial output 25 per cent.

"The effects can be seen everywhere," says Mr Toyi. "The state cannot pay its debts to the private sector, it is beginning to be unable to meet its foreign debts and foreign reserves are falling by $10m a month. By 1997, if nothing changes, we will have problems buying imports."

Small wonder, then, that the government keeps forces posted around Brarudi, probably Bujumbura's best-guarded building. Or that, as Bujumbura threatens to become the Sarajevo of Africa – starved of electricity, crippled by curfews – the factory has been turned into a mini-fortress, relying only on what can be provided within its own high, barbed-wire topped walls.

When Hutu rebels attack power lines to the city, the brewery turns on its massive generators. When Tutsi militias call a general strike and halt public transport, management sends buses to fetch workers.

Since water supplies cannot be trusted, the brewery has its own treatment plant. Pipes to pump water direct from Lake Tanganyika are kept on standby. Rice, sugar and malt are stocked in quantities that can last several months, suppliers warned that if they fail to deliver, their contracts will be cancelled.

"All this comes at a cost," says Mr Hanin. "But in January we managed to operate for eight days when the whole of Bujumbura was without either electricity or water."

Squeezing its key asset to the limit, the government forced Brarudi to increase its beer price by 20 per cent earlier this year, an increase that will pay for a "social fund" for the victims of Burundi's troubles.

Despite his pride in the operation, Brarudi's manager chafes at the responsibility being placed on the brewery. The recycling of money – taxes which go to pay soldiers and civil servants, who then spend their money buying beer, giving the brewery funds to pay the taxes – cannot last indefinitely if the country's economic base continues shrinking.

"If your customers are in crisis, you are in crisis," says Mr Hanin. "If we are the only ones working properly, at a certain point we will be the only ones drinking our beer." Already the brewery estimates that demand has fallen from 1.7m hectolitres last year to 1.5m hectolitres.

As the crunch approaches, Burundi's finance minister hopes to gain time by rescheduling domestic and foreign debts and asking government employees, paid with scrupulous regularity until now, to accept salary cuts.

Although it is a prospect the government dreads, it may hold the seeds of hope. As the smart cars cruising the capital's streets and well patronised restaurants attest, much of Bujumbura's Tutsi-dominated bourgeoisie has so far weathered the crisis in relative comfort.

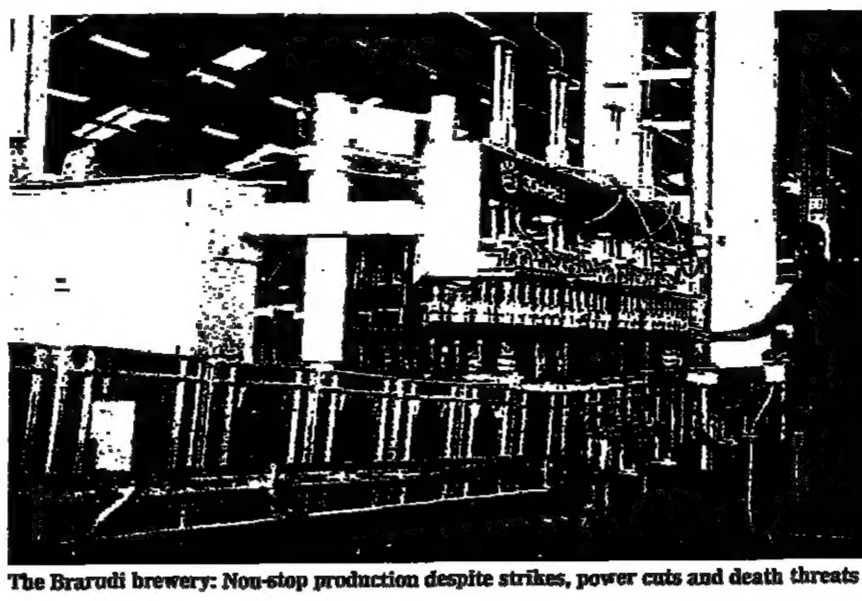
Maybe it is only when the elite that decides policy begins to feel the pinch that compromise will become an option. "I keep telling them the situation is very serious," says Mr Toyi. "But at the end of the month they still get their salaries. The severity of the problem has not sunk in."

Burundi's shaky economic base

	GDP % change	Inflation %	Budget deficit % of GDP	Total foreign debt*
1992	2.0	3.8	-4.9	220bn
1993	-5.3	9.7	-3.4	260bn
1994	-6.0	14.9	-4.4	285bn
1995	-3.0	19.2	-2.5	309bn

Source: Burundi Finance Ministry. *In Burundi francs. $1=282 Burundian francs

'If the brewery did not exist, the country would be in chaos,' admits Mr Salvator Toyi, the finance minister. 'As it is, we wait to receive our cheque from Brarudi before paying salaries.'



The Brarudi brewery: Non-stop production despite strikes, power cuts and death threats. Michela Wrong

Banking supervisors agree to strengthen standards

By Hilary Barnes in Stockholm

Banking supervisors from 138 countries have agreed to speed up the implementation of minimum standards for the supervision of international banking.

The agreement, reached at the biennial International Conference of Bank Supervisors in Stockholm this week, covers 90 per cent of the world's population and was described as "an important step" by Mr Tomasso Padoa-Schioppa, chairman of the Basle Committee on Banking Supervision and deputy director general of the Bank of Italy.

A survey, conducted for the conference, showed that 20 per cent of countries do not consolidate financial and prudential information on banks' global operations.

Some 80 per cent face difficulties in verifying the reliability of such data by on-site examination because the legal framwork of some countries does not allow all the instruments of supervisory analysis to be used. In some regions, supervisors do not have the power to prevent corporate affiliations that hinder effective supervision and a fifth of all countries do not make approval by the home country supervisors a condition for the establishment of a foreign bank.

Minimum standards for the supervision of international banking were developed by the Basle Committee in 1992, representing the G10 group of the world's richest nations. An important aspect of the Stockholm conference was a detailed discussion of co-operation between G10 and other countries, Mr Padoa-Schioppa said yesterday.

The 138 supervisors endorsed a report by members of the Basle Committee and the Offshore Group of Banking Supervisors to strengthen implementation of the 1992 standards.

The principles include better co-operation between supervisors in a bank's home country and the country which hosts the bank's subsidiaries and branches; principles for determining the effectiveness of home country supervision; establishing a routine for inspections by home country supervisors in the host country; improving supervisory standards in host countries; and for dealing with problems arising from potential gaps in cross-border supervision.

However, Mr Padoa-Schioppa said implementation of the voluntary co-operation agreement would take time. In an address to the conference – he said that implementation of the Basle Committee's minimum standards had proved difficult and was too slow.

Mr Padoa-Schioppa said the endorsement of the princples by the conference was an important step, but not the last step. "More will have to be done," he said.

Iraq blocks more arms searches

Iraq yesterday barred United Nations weapons inspectors from two more sites in and near Baghdad as they tried to search for clandestine weapons or related materials, a UN official said, Reuter reports from New York.

"We started two inspections this morning and were blocked at both of them," Mr Rolf Ekeus, head of the UN Special Commission in charge of scrapping Iraq's weapons of mass destruction, told reporters.

Yesterday's confrontation was in addition to two incidents on Tuesday and Wednesday when Iraq barred the UN weapons team from two Republican guard sites.

Mr Ekeus said that one site in Baghdad belonged to the elite Republican guard but he refused to give details on the second one. He said his group was searching for equipment, documents or materials relating to ballistic missiles.

In Baghdad, Iraqi authorities called the inspections provocative and state-run newspapers carried editorials defending the decision to bar the inspectors from sensitive sites.

Mr Ekeus said some inspectors were still standing guard at a facility in Baghdad that they had been barred from entering on Wednesday. They were trying to observe if any documents had been removed.

He said all the facilities his experts wanted to enter had in the past belonged to government bodies responsible for concealing documents or weapons from his commission and he suspected some clandestine materials were still there.

Ridding Iraq of nuclear, chemical, biological and ballistic missiles is a key requirement for lifting sanctions imposed in 1990 after Iraq's troops invaded Kuwait.

Mr Ekeus spoke to reporters after briefing the UN Security Council, which was to consider last night what to do next.

Savimbi in talks on Angola diamond zone

Talks on the future of Angola's rich diamond provinces, largely left out of the country's peace deal, have been held this week at the bush headquarters of former rebel leader Jonas Savimbi, Reuter reports from Luanda.

The discussions at Bailundo brought together Mr Savimbi and Mr Paulino Neto, director of the state-controlled Angolan diamond company Endiama.

The future of diamond-rich Lunda Norte and Lunda Sul, controlled mainly by Mr Savimbi's Unita forces, had largely been untouched in peace talks between the former Angolan rivals who signed an accord in 1994 to end 20 years of civil war.

Under the Lusaka peace pact, Unita has to withdraw its fighters from the Lunda provinces and disarm them at UN-supervised assembly camps by July. Diamond and oil resources make Angola one of Africa's richest countries but the war has damaged the economy and brought stagnation since 1980.

Mr Higino Carneiro, the government's peace negotiator, and Mr Isaias Samakuva, Unita's representative in a joint ceasefire commission, attended Wednesday's the talks.

"We prefer not to comment on the discussions," Mr Carneiro said on his return to Luanda and before going to talks with Angola's President Jose Eduardo dos Santos.

Savimbi: reluctant to yield

Mr Savimbi controls most of the Lunda Norte diamond area along the Cuango River which his forces captured during the war. It has been estimated that he earns $200m-$500m from diamonds and he is believed reluctant to give up this control.

A World Bank report in 1990 said that some $50m worth of diamonds leave Angola unofficially every year, either smuggled across the Zaire border for sale on the open market or smuggled to Lisbon.

Participants would not comment on the talks but mining officials said the government had offered Unita at least three options to resolve the diamond issue.

They included diamond concessions, the creation of Unita's own diamond company which would have shares in Endiama, the state-owned diamond mining business, and joint projects with international companies.

"It is also known Unita has been pressing to have a representative on the board of Endiama," the official said.

South Africa's Mechem company is de-mining the main stretch of road between the city of Malange and Saurimo in Lunda Sul so Unita troops can be withdrawn from the diamond area.

"It still has to be decided where the Unita troops in the Lunda provinces will be disarmed. The chances are good it will not be inside the Lunda provinces, but in neighbouring Malange Province," a peace observer said.

"It is also a guess as to how many troops Unita has in the Lunda provinces and if it will relinquish its control. This is a very sensitive issue."

Unita has already disarmed more than 45,000 of its troops at 13 assembly camps in Angola. Mr Savimbi has pledged to disarm a total of 50,000 by June 15.

Abortion and housing snags in Habitat II conference

Weary delegates do most of their work behind the scenes

By John Barham in Istanbul

A spectacular fireworks display over the Bosporus tonight could well be the most vivid impression the 20,000 delegates and journalists take home with them from the United Nations Habitat II city summit in Istanbul, which ends today.

"Conference fatigue" and Habitat have become almost synonymous. Relatively few heads of state attended, none from big countries. Habitat, the third UN conference in 15 months, is likely to be the last big gathering of its kind for some time.

Mr Boutros Boutros Ghali, UN secretary general, said: "The decisions reached at Istanbul must be translated into concrete measures, into national policy, into new forms of international co-operation, into greater co-operation between government and civil society."

Yet it often seemed that the most important work during the 11-day event was done in committee rooms, corridors and bars, where participants swapped ideas and addresses. Mr Eduardo Rappel, planning secretary from the Brazilian city of Salvador, said: "I have met people from all over the world who have interesting ideas for solving the same problems." He said he was taking back greater awareness of the importance of fiscal rectitude.

The UN organised a databank of "best practices", policies adopted mainly in developing countries to overcome problems ranging from managing basic infrastructure to providing housing and involving local communities.

Non-governmental organisations (NGOs), local government and the private sector won greater influence in Istanbul than at earlier conferences.

Mr Jan Birket-Smith, director of the NGO Forum, which grouped non-governmental organisations at the summit, said: "For the first time, groups representing the interests of civil society had access to express concerns and issues directly."

This reflected the growing importance of voluntary organisations, civic groups and the private sector in developing public policy. Most conference delegates seemed to accept that market mechanisms and private business must play a greater role in providing services as demands on restricted government budgets in both rich and poor countries grow.

So it was surprising that US and European utilities, which are developing into multinational corporations with investments in the developing world, were absent. Mr Michael Stegman, head of the US delegation, said they lacked "understanding on how to get involved in the UN conference system. We need to engage business in the post-Istanbul process."

The conference itself was stalled for two days by the seemingly peripheral issue of abortion. The Vatican, supported by some Islamic countries, held up the proceedings until they succeeded in removing reference to "reproductive and sexual health services" in the final document, claiming this would legitimise abortion.

More relevant issues such as government decentralisation, women's rights and financial support for poor countries were often lost in the crossfire.

NGOs berated Turkey for rejecting self-government for its large Kurdish population and criticised its policy of destroying villages to deny them to Kurdish rebels.

Women are particularly vulnerable in the developing world because of restricted access to jobs, inadequate mother and child health services and insufficient entitlements to property and inheritance.

Dogged US opposition to a statement that housing be considered a human right forced the conference to adopt a diluted commitment to the "progressive realisation of the right to adequate housing".

Some delegates from poor and even some rich countries said the conference should include financial commitments. Mr Joaquin Navarro-Valls, the Vatican's press director, said: "The concept of solidarity is being replaced by markets."

Compromises do not satisfy everyone. Mr Birket-Smith said: "I fear [there are] so many compromises that the text will be feeble." Yet he argued that the value of even weak commitments could still spur action: "It will define an agenda that forces governments to focus. Discussions emerging from civil society and government advance awareness and action."

HK-Taiwan air deal boosts Beijing group

By Louise Lucas in Hong Kong

Taiwan and Hong Kong yesterday signed a landmark air services pact which gives a China-controlled airline access to lucrative routes in Taiwan.

The five-year agreement also allows Taiwanese carriers to fly to Hong Kong after it reverts to Chinese sovereignty next June.

The deal inches Taiwan and China closer to direct links, banned by Beijing since the Nationalists fled to Taiwan in 1949. It follows a period of rising tensions across the Taiwan Strait, worsened by missile testing before Taiwan's presidential elections in March.

The agreement comes more than a year after the previous pact lapsed; interim short-term pacts maintained the status quo while Taiwan and Hong Kong sought to solve differences, ameliorate internal bickerings (for example, in Taiwan, to introduce more competition on the route) and secure Beijing's blessing on a final deal.

Beijing endorsed the deal last Friday, just days before a shake-up in the aviation sector in Hong Kong got shareholder and regulatory approval. Under that restructuring, unveiled on April 27, Dragonair, Hong Kong's second carrier and a key beneficiary of the air pact with Taiwan, came under mainland control.

CNAC, the commercial arm of China's aviation regulator, paid HK$1.97bn ($255m) for a 38 per cent stake in Dragonair. A further 28.5 per cent is owned by Citic Pacific, Hong Kong arm of Beijing's main investment vehicle. Under yesterday's pact, Dragonair will operate up to 21 flights a week between Hong Kong and Taiwan's southern port city of Kaohsiung.

At present, the route is monopolised by Cathay Pacific, Hong Kong's de facto flag carrier, which has 84 flights a week on the route, and Taiwan's China Airlines.

The new pact provides for up to 100 passenger flights and six freighter flights for Cathay, 105 passenger services and six freighter flights for China Airlines, and 16 passenger services for Eva Airways, a subsidiary of the Taiwan shipping giant Evergreen.

Appropriate licences have still to be secured by Dragonair, but aviation executives reckon this will be a formality. Mr Declan Magee, aviation analyst with HG Asia in Hong Kong, says the Hong Kong-Kaohsiung route is the fifth busiest in passenger volumes in the Cathay Pacific network. He estimates it generates revenues of some HK$500m a year.

"Cathay Pacific worked hard to build up this route, and now they've given it to Dragonair. It's like a present – all they've got to do is put pilots on and people will be queueing to buy tickets," he said.

FTC alleges attempt to block retailers selling at discount prices

Haagen-Dazs raided in Japan

By Emiko Terazono in Tokyo

The Japanese Fair Trade Commission yesterday raided offices of Haagen-Dazs Japan, a subsidiary of the hotel and foods group Grand Metropolitan of the UK, after alleging the company tried to stop retailers selling its products at discount prices.

The raid highlights the increasing pressure the FTC is putting on foreign companies in Japan and comes ahead of reforms intended to toughen its role as the country's anti-trust watchdog.

In justifying the raids at the company's head office and branches, FTC officials allege that Haagen-Dazs Japan had attempted to put pressure on retailers by threatening to halt distribution.

The raids come ahead of the summer season, when temperatures and sales rise. The company denies the allegations and says investigations will have minimal effect on revenues.

Haagen-Dazs says some retailers have been selling its products at discounted prices, though industry analysts point out the company's brand image was strong enough for retailers not to fear its ice cream products being pulled from their shelves.

The company has kept its place at the top of Japan's premium ice cream market, even though competition has grown over the past few years due to the launch of premium brands by domestic makers and private retail brands.

Sales cooled in the ice cream market last year, totalling Y380bn ($3.5bn), down 9.5 per cent from a year earlier due to a long and cold rainy season, but the company has held sales at Y29bn, unchanged from the year before.

Haagen-Dazs, which imports more than half of its products from California, helped to establish the premium ice cream market. Its earnings have been supported by the liberalisation of ice cream imports in 1990.

The company secured its brand image with its advertising campaigns and by opening stores in prime commercial areas in Tokyo and Osaka. It has also succeeded in securing a vast distribution network, a strategy its foreign rivals, including companies such as Baskin Robbins, initially failed to recognise.

Other than the 91 ice cream parlours the company runs throughout the country, its products are sold in some 40,000 retail outlets, including supermarkets, convenience stores and department stores. Haagen-Dazs said it was ready to co-operate with the FTC and expects the judgment by the commission to take six months to a year.

Garuda crash leaves 3 dead

An 18-year-old DC-10 Garuda Indonesia airliner (pictured right) burst into flames after a failed takeoff from Fukuoka airport in southwest Japanese yesterday, killing three people and leaving scores injured and a dozen missing. There were 260 passengers and 15 crew on the airliner, which was bound for Denpasar, the main town of the Indonesian resort island of Bali, and Jakarta.

The crash comes as the Indonesian state-owned airline is undergoing a restructuring and cost-cutting programme ahead of privatisation, scheduled to be within the next couple of years. Last year, Garuda revised its number of Boeings on order to seven from an earlier contract to purchase 16, but the airline stressed the decision was not based on any financial problems. *Manuela Saragosa, Jakarta, and agencies*

Reuter

ASIA-PACIFIC NEWS DIGEST

Pakistan brings in more taxation

Pakistan yesterday announced a tough annual budget which sought to reduce its high budget deficit by raising an extra Rs41bn ($1.17bn) by extending a sales tax and improving tax collection. No significant inroads were made in lowering import tariffs, which remain an average of 65 per cent. Pakistan has been urged by the International Monetary Fund to cut tariffs in order to make industry more competitive.

Mr Makhdoom Shahabuddin, minister of state for finance, told the lower house of parliament in Islamabad: "We will cut our budget deficit to have a strong, dynamic and sound financial system." The government pledged to cut the federal deficit to 4 per cent of gross domestic product by next June, down from 5 per cent at present.

Among the taxation measures announced in the Rs500bn budget, the government abolished the exemption from the "wealth tax" – a federal tax on property – for those who own only one house, but replaced it with a tax on all houses on areas of more than 500 square yards. New taxes were imposed on mobile phone bills and foreign air travel, while the tax on domestic and international phone calls was increased from 35 to 40 per cent. The scope of an existing sales tax will be extended to many consumer goods.

The defence budget was raised by Rs16bn or almost 14 per cent. *Farhan Bokhari, Islamabad*

China's exports falter

China registered a trade deficit of $490m in the five months to May, according to Chinese customs statistics. But exports in May exceeded imports for the second straight month. May exports dipped 7.1 per cent against the same period last year, while imports rose 14.5 per cent. China registered a $16bn trade surplus in 1995, but a strong currency and curtailment of tax rebates for exporters have dampened exports this year.

China's trade surplus in May was $210m. The Ministry of Foreign Trade and Economic Co-operation forecasts trade will be more or less balanced this year, with the possibility of a small deficit. *Tony Walker, Beijing*

■ Police in Shanghai formally arrested US businessman William Ping Chen yesterday on charges of importing banned goods to China, the Xinhua news agency said. *Beijing, Reuter*

Indonesia eases currency curb

The central bank yesterday took another step towards liberalising Indonesia's currency by widening the band within which it is freely traded. Over the past two years, Bank Indonesia, the central bank, has stepped in regularly to widen the rupiah intervention band. The currency will now trade within a 5 per cent range, up from 3 per cent, of about 118 rupiah around a mid-rate, set by Bank Indonesia against an undisclosed basket of foreign currencies. *Manuela Saragosa, Jakarta*

Key Vietnamese diplomat dies

Vietnam's deputy foreign minister, Le Mai, a key architect in forging diplomatic ties with the US last year, has died of a heart attack, aged 56. His death robs Vietnam of one of its most able, English-speaking diplomats when the country is trying to integrate into the Association of South-East Asian Nations (Asean) and secure Most Favoured Nation trading status from Washington. Later this month the Communist party holds its eighth congress, and Mr Mai, seen as a reformer, had been viewed as a possible successor to Mr Nguyen Manh Cam, the foreign minister, who is tipped for promotion. *Jeremy Grant, Hanoi*

Philippines to liberalise oil sector by next March

By Edward Luce in Manila

The Manila government is to dismantle protection for the domestic oil industry from Sunday, in a process to culminate in complete liberalisation of the sector by March 1997.

Yesterday's announcement will open the sector to full foreign competition and result in market-based prices for petrol and other oil derivatives.

Under the new regulations, the government will by next March phase out the oil price buffer fund which has shielded the domestic consumer from world oil price fluctuations.

The fund, in heavy deficit for the past 12 months, has been a source of grievance for the country's three oil companies: Petron, the privatised oil company; Shell Pilipinas, the local arm of the Anglo-Dutch group; and Caltex Philippines, the US company.

The policy overhaul has taken the government several years to design, largely because of the strong political desire for subsidised petrol prices. In the past, price rises have provoked demonstrations and death threats against oil executives, most recently last February when prices were raised by 13 per cent. A small price rise is expected within the next few weeks.

"We welcome this move to liberalise the oil sector because it depoliticises petrol pricing," said Mr Monico Jacob, chairman of Petron, which is 40 per cent owned by Saudi Aramco. "It will bring better service and efficiency to the consumer and allow more foreign players to enter our market."

Several foreign companies, including Mobil, Thai Petrochemicals Industry and British Petroleum, have expressed an interest in the Philippine market. Many plan to invest in downstream crude oil refining including naphtha cracking plants.

As an incentive to refine oil locally, the government will keep a small tariff differential between crude and refined oil imports. Refined oil imports will be subject to a 7 per cent tariff; crude oil will pay 3 per cent. The 4 per cent differential will be phased out early next century.

Under the regulations, which allow oil companies to set their own prices through an automatic price adjustment mechanism based on the Singapore open market system, oil companies will be able to set up storage depots and refineries without government authorisation.

Awami claims Bangladesh victory

By Mark Nicholson in Dhaka

Sheikh Hasina, leader of the Bangladesh Awami League, yesterday claimed victory after what she acknowledged to have been a "free and fair" election. However, the Awami League, returned as the biggest party, may still fall marginally short of a parliamentary majority, pending the results of repolling in 27 seats next week.

Sheikh Hasina, daughter of Sheikh Mujibur Rahman, "father of the nation" and in 1973 Bangladesh's first elected prime minister, said she was set to form the next government. "We are ready now and waiting for the president's call," she stressed.

Her party has not held office since 1975 and the twists of Bangladeshi politics may yet deny her, as the possibility remains of a blocking coalition.

A record 73 per cent turnout had last night delivered the Awami League 133 seats and the Bangladesh Nationalist party 104. The Jatiya party, led by General Hossain Mohammed Ershad, the imprisoned former military ruler of Bangladesh, won 29 and could emerge as kingmaker. Smaller parties, including a devastated Jamaat-I-Islami party, won just five seats. A total of 300 elected seats were contested.

A Jatiya party leader said last night the group would "definitely" consider allying with any party which helped release Gen Ershad, who was jailed on corruption charges after being removed in a popular movement in 1991.

Prospects of a coalition, perhaps between the BNP and the Jatiya party, will turn on the results of 27 seats to be repolled next week after the election commission found "irregularities" in 123 polling stations.

Winston shakes up the centre to become New Zealand's first

Nikki Tait on Winston Peters, the country's most popular politician

Winston Peters is riding high and running late. Polls have just nominated him as New Zealand's preferred choice as prime minister. But an extended meeting with lawyers means that the new star in the country's political firmament has only minutes to make a lunchtime meeting with Wellington's business leaders.

Undeterred, he sits down, waits for the cigarettes to appear, and, when challenged to explain why the international view of New Zealand as a model of economic reform is so wrong, swings into gear. If pressure is telling anywhere in the hothouse of New Zealand politics, it is not here.

"Well, when I look around Asia, look at the Asian tigers, I see roaring economies," he says. "I see governments in partnership with their people. I see strategic long-term planning. I see a significant degree of economic nationalism. I see economies that work.

"And when I contrast that with New Zealand, I see lazy economic intellectualism, bias tarted up as analysis for the New Zealand people's consumption."

Worse, Mr Peters contends, the product of this "lazy intellectualism" – a decade of reform and deregulation, during which New Zealand has radically altered everything from its labour market structures to its health system – is no longer producing the goods. "Nobody's arguing economic recovery any longer. They're now arguing stability.

"And while it may be good for international observers to indulge their fetish for how things should be done, there is a people reality about this. For in excess of 75 per cent of New Zealanders, there is no recovery. They do not feel more secure than they were when this experiment began."

Peters: broader appeal

The message may be over simple, but its appeal is undeniable. New Zealand First, the party which Mr Peters formed in 1993 after he quit the ruling National party, in which he had been a cabinet minister, has roared up the opinion polls in recent weeks. According to the latest sampling, NZF commands more than a quarter of the vote, second only to National on about 40 per cent.

Mr Peters, son of a Maori father and Scottish immigrant mother, does even better. The same polls suggest that 28 to 29 per cent of New Zealanders would prefer the 50-year-old politician to be their prime minister. Mr Jim Bolger, the wily but uncharismatic farmer who leads the National government, gets only 22 to 24 per cent.

The rise of NZF matters because New Zealand will switch from a Westminster-style electoral system to a form of a proportional representation when it chooses its next government in four months' time. Mr Peters could control 30 to 40 seats in the enlarged 120-member, single-chamber parliament. National would have more – about 50 – but too few to form a government.

The centrist Labour party, polling around 15 per cent of the vote, remains blamed for having started the country's restructuring, while the left-leaning Alliance (11 per cent) has lost ground as Mr Jim Anderton, its leader, has faced personal problems.

NZF has always done well with Maori voters – Mr Peters' deputy is the Maori former trade unionist, Mr Tau Henare – and older New Zealanders, nostalgic for a more nurturing society.

Now Mr Peters appears to be broadening NZF's appeal, notably in rural areas where urban liberalism is distrusted.

The thought that Mr Peters – known to everyone from security guards upwards as Winston – could have the whip-hand in a post-October coalition government fills his critics with dismay.

They claim that NZF lacks any real policies, that its tough stance on immigration and proposed restrictions on foreign ownership of New Zealand assets appeals to the worst racist sentiments, and that Mr Peters himself, who has built his career on challenges to the system, will be an impossible coalition partner.

Mr Peters meets the criticisms head-on. NZF, he says, will have a fully-costed economic policy out by July. In the meantime he will continue to plug his belief that more emphasis should be put on promoting exports, and less on the tight 0-2 per cent inflation target which the Reserve Bank must, by law, achieve. NZF would give the RBNZ a new target, of keeping NZ's inflation rate below the average of its main trading partners.

On the foreign investment front, he promises tighter controls, with a cap of 24.9 per cent on overseas purchases of existing assets. Critics call this xenophobia. Mr Peters puts it differently: "Foreign investment is good when it's creating jobs, new enterprises and new exports . . . and thoroughly bad if it's just the corporate takeover of this country's resources."

A similar approach would underpin immigration policy. Access would be granted where immigrants were offering a badly needed skill, but not otherwise. Numbers of new immigrants would come down to fewer than 10,000 a year.

Savings, meanwhile, would be lifted by a compulsory retirement funding scheme. This would be government-organised but professionally managed, with money being invested only in New Zealand.

These economic mainstays are then topped off with a flurry of policies on crime prevention and social welfare, and the hallmark Peters pursuit of accountability in government.

Chief executive warns that disputes in Britain will encourage US Names to press ahead with lawsuits

Further changes to settlement plan ruled out

By Ralph Atkins, Insurance Correspondent

Efforts to secure the financial future of Lloyd's of London moved into their final stage yesterday when the insurance market warned that no further changes were possible to a £3.1bn ($4.7bn) out-of-court settlement offer. It also said that about 175 "blacklisted" Names would have their benefits from the settlement restricted.

Mr Ron Sandler, Lloyd's chief executive, said the insurance market had to meet deadlines – most importantly the August 31 solvency test imposed by UK government regulators. "There is no further scope for changes in the settlement structure," he said.

Separately, Mr David Rowland, Lloyd's chairman, outlined to an Association of Lloyd's Members (ALM) conference how the Names' "blacklist" had been compiled from those working at the market who caused losses totalling more than £8bn in recent years.

The list includes underwriters and directors and partners at Lloyd's agencies. However, Lloyd's risked provoking Names' anger by refusing to publish the list for legal reasons.

The latest developments came as Lloyd's prepares to send Names revised figures next week on the individual impact of the market's recovery plan. Names are individuals whose assets have traditionally supported Lloyd's.

LLOYD'S
LLOYD'S OF LONDON

High-lighting the growing support for the plan, Mr Michael Deeny, chairman of the Gooda Walker Action Group which represents some of the worst hit Names, told the ALM conference: "The war has gone on long enough. It is time to make peace."

Mr Sandler warned that further feuding could worsen problems in the US where legal action pending could undermine Lloyd's recovery plan, of which the £3.1bn offer is part. His remarks were an obvious rebuff to hardline Names who earlier this week called an extraordinary general meeting to press for substantial improvements.

"I'm worried that the continuing evidence of disputes and dissent will give them [litigating US Names] the confidence that their efforts to make life difficult ... are the right thing," Mr Sandler said.

As well as the £3.1bn offer, Lloyd's recovery plan includes proposals for a giant reinsurance company, Equitas, which would take responsibility for billions of dollars of mainly US asbestos and pollution liabilities.

In the past few months the cost of Equitas to Names has fallen from £1.9bn to about £900m. The settlement offer was also increased from £2.8bn to £3.1bn.

● Names on five Lloyd's syndicates are being offered cash for their places by one of the insurance market's new generation of corporate investors, Cox Insurance. In an unprecedented move at Lloyd's, Cox announced yesterday it would pay up to 18 pence per pound of underwriting "capacity" – the amount of insurance business that can be accepted. The move is intended to encourage Names who might resign this year to take an early decision – allowing plans to be made for the 1997 underwriting year.

As well as being a corporate investor, Cox also owns an managing agency responsible for running Lloyd's syndicates. Cox wants to purchase £50m in capacity at a cost of £3.1m.

The European Union Japanese investors 'unconcerned by ambiguous British attitude'

French farmers' chief attacks British 'scandal'

By David Buchan in Paris

The head of France's largest farmers' union accused Britain of "scandalous" behaviour yesterday as anger mounted over a surge in imports from the UK of potentially contaminated animal feed after its use in cattle and sheep feed had been banned in 1988.

The revelations and the resulting political storm put increasing pressure on the French government to drop its relatively conciliatory approach to the UK point of view in the beef crisis.

After Mr Philippe Vasseur, the agriculture minister, blamed the Socialists for allowing the surge in feed imports when they were in government from 1988-93, Mr Henri Nallet, a former Socialist agriculture minister, hit back.

He said it was quite "unreasonable" for the government to have supported lifting the ban on UK beef derivatives, and called for a ban on all meat-based feed – not only for cattle and sheep but also for poultry and pigs.

Mr Nallet said that in 1989-90 French farmers needed extra animal feed because of droughts at home, but in 1989 he had banned the import of feed from the UK which used beef carcasses.

He claimed that he had tried in 1990 to go further to block beef products when some veterinary experts expressed concern about the transmission of BSE to humans. But threats of court action by the European Commission had stopped him.

According to yesterday's Le Monde newspaper, the European Commission knew of the risks to human health from BSE two weeks before the UK government made its fateful statement to that effect.

The French newspaper reprinted a March 8 memo by the Scientific Committee on Food to the Commission in which it warned that "the risk of human contamination from tissue infected by BSE exists".

Le Monde quoted a member of the committee as saying it was put "under very strong pressure" by the Commission's agriculture directorate not "to alarm people needlessly". The scientific body's finding was the more striking, because it did not know at the time of the latest cases of Creuztfeldt-Jakob disease (CJD), the human manifestation of BSE, which subsequently led the UK's experts and government to issue their warning.

However, the Commission said that although the committee had found no scientific evidence to exclude the possibility of transmission of BSE to man, it had considered no fresh evidence and found no positive proof of possible transmission.

French and British researchers yesterday claimed to have found strong indications of a link between BSE and CJD, after they had injected the brains of monkeys with BSE.

John Major, the British prime minister, yesterday raised hopes of an early end to Europe's beef crisis after holding "very constructive" talks in London with Romano Prodi, his Italian counterpart. Italy now holds the rotating European Union presidency. Mr Major, pictured (above right) welcoming Mr Prodi to 10 Downing Street, said there had been progress towards agreeing a framework for lifting the EU's ban on British beef exports, but added: "We are not there yet".

Minister's adviser rejects argument for membership

By Gillian Tett, Economics Correspondent

Britain would not suffer any overall economic loss if it left the European Union, one of the chancellor of the exchequer's panel of independent advisers said yesterday.

However, the UK would not gain an economic advantage from leaving the EU either, since exclusion from the single market would hit British exporters hard, he added.

The comments come from new research conducted by Professor Patrick Minford of Liverpool University. The research represents one of the few detailed analyses of the costs and benefits of UK membership of the EU.

Prof Minford has long been a maverick rightwing critic of Mr Kenneth Clarke, the chancellor of the exchequer. His latest comments are likely to be strongly rejected by Mr Clarke, who insisted in his Mansion House speech in London this week that membership of the EU was essential for British prosperity.

However, Prof Minford denied that he was seeking to defend the Eurosceptic cause and argued that the overall economics played a neutral role in the political debate. The largest "cost" to the UK at present, Prof Minford argues, is the Common Agricultural Policy. Although UK farmers receive subsidies from Brussels, he calculates that the net UK contributions to CAP and inflated food prices cost the nation about 1.5 per cent of gross domestic product.

The UK would save this money if it left the EU, he points out. However, it would also lose its likely export growth into EU consumer markets, which are currently very lucrative because prices on goods and services are some 30 per cent higher than in the US.

And since UK consumer durables exports into the EU are likely to grow by some £9bn ($13.77bn) a year over the next decade, the net gain from the CAP would be wiped out from lost exports, he concludes.

Nevertheless, Ms Noriko Hama, chief economist at Mitsubishi Research Institute in London, yesterday argued that Japanese investors were broadly happy with the UK's ambiguous stance in Europe. Although UK participation in a European social chapter would not deter Japanese investors, they preferred the UK to stay outside a single currency, she said. "The semi-detached status gives Britain an ambiguity which Japanese investors like... If Japanese investors ever walk away from Britain it is because they perceive Europe as a place of non-growth."

Labour party calls for halt to 'endless confrontation'

By Lionel Barber in Brussels

Mr Robin Cook, the opposition Labour party's foreign secretary, yesterday called for a new partnership between Britain and the rest of Europe based on flexibility and co-operation.

In a speech in Brussels sprinkled with sarcastic references to the beef crisis, Mr Cook said it was time to abandon the path of "endless confrontation" and "tunnel vision" pursued by the Conservative government.

Mr Cook hinted that a future Labour government would be willing to compromise with its EU partners in the Maastricht treaty review conference. "Sovereignty is not a virtue in itself," he said. "It may be reasonable and sometimes necessary to trade an element of national sovereignty for a better decision to be taken [in the interest of the people]."

Delivering a lecture at the European Parliament, Mr Cook sounded a sceptical note on monetary union. It was important to have an intelligent debate about Emu and the Maastricht treaty criteria which lay down targets. But those targets had been drawn up in a "booming Europe" of the early 1990s, he explained. Today there could be deflationary consequences, especially without reform of labour markets.

The Conservative government pursued a policy of confrontation and "heroic resistance" which inevitably led to British climbdowns, said Mr Cook in an implicit reference to what many Brussels observers believe will be the outcome of the beef crisis.

Reinsurers lose case against advisers

By John Mason and Ralph Atkins in London

NRG, the Dutch reinsurance company, yesterday lost its landmark High Court action claiming £400m ($612m) in damages from actuaries Bacon & Woodrow and the accountancy firm Ernst & Young for alleged negligence in giving professional advice.

The case has been closely followed in the City of London because of its possible implications for the legal responsibilities of advisers during mergers and acquisitions.

Ernst & Young had argued that the case was simply one of an investor trying to recoup losses from a bad investment decision by suing its advisers. The result brought great relief to Bacon & Woodrow – had the firm lost the case its 45 partners could have been individually liable for damages under English law.

The case centred around NRG's disastrous £122m acquisition of Victory Reinsurance from Legal & General in 1990. Victory Re, which specialised in marine and non-life reinsurance, unexpectedly proved a substantial lossmaker. The exposure of its marine and aviation accounts to disasters such as Hurricane Hugo resulted in a shortfall of more than £250m.

NRG claimed that Bacon & Woodrow and Ernst & Young had been negligent in not warning of the inadequacy of Victory Re's reserves and protection against claims. It also claimed that Swiss Bank Corporation, its investment bankers, failed to give competent advice. It dropped the action against SBC in the middle of the case.

The judge said NRG's claims against Ernst & Young had failed. All but one of its claims against Bacon & Woodrow failed. However, NRG had suffered no financial loss as a result of the one finding of negligence, he said. The ruling was welcomed by Ernst & Young and Bacon & Woodrow.

Mr Nick Land, senior partner at the accountancy firm, said: "The fact that we were found not liable should give a strong message to companies in this current climate of spiralling litigation against professional advisers that they cannot expect firms such as ours to underwrite their investment decisions which in hindsight turn out to have been bad."

Mr Duncan Ferguson, senior partner of Bacon & Woodrow, said the firm's advice had been given in good faith by skilled professionals. The firm is now considering options for restricting future liability, he said. These could include incorporating or following accountancy firms and registering as a "limited liability partnership" in Jersey, he said. "We have learnt a lot of lessons from this exercise. This isn't what we professionals are in business for," he said. NRG's lawyers said afterwards the company was "naturally disappointed".

City regulators restrict use of derivatives

By George Graham, Banking Correspondent

City of London regulators yesterday slammed the door on the controversial use of derivative contracts to skirt disclosure and insider trading rules in takeover bids.

In parallel moves announced yesterday, the Securities and Investments Board, the UK's umbrella regulator of financial services, and the Takeover Panel, which polices the conduct of bids, made clear that the same rules apply to dealings in derivatives as to dealings in ordinary shares. The rule changes stem from Trafalgar House's £1.2bn ($1.8bn) bid last year for Northern Electric. Trafalgar in effect bet – by striking a series of "contracts for differences" with its investment banker, Swiss Bank Corporation – that Northern's share price would rise.

These derivative contracts allowed it to make a cash gain on the price rise without tipping its hand to the market by buying the actual shares. The Takeover Panel said it had decided to extend the requirement for bidders or their associates to disclose dealings in their target's shares to include derivatives whose value is linked to those shares.

That applies even when the derivative provides only a financial link to the shares – as was the case with the contracts for differences – and not, as would be the case for an ordinary option, the right to take delivery of those shares.

The SIB, meanwhile, issued draft guidance making clear its view that if a direct stake in the shares would break the law on insider dealing, then an indirect stake acquired through derivatives such as contracts for differences would also be against the law.

"We strongly believe that firms should observe the spirit as well as the letter of the law," said Mr Andrew Winckler, chief executive of the SIB. "What we are saying is, firms shouldn't use derivatives to enable their customers to profit from inside information."

Although the law specifically allows bidders to buy shares in their target without being guilty of insider dealing, the SIB said it did not regard this "bid facilitation" argument as an acceptable defence of a derivative which offered only a financial interest and not a direct voting stake.

City lawyers agreed yesterday that the proposed rules would have blocked Trafalgar's controversial contracts for differences, had they been in effect at the time.

SBC, which developed the use of contracts for differences, has since then acquired S.G. Warburg, which defended Northern against Trafalgar's bid and criticised the contracts at the time.

Literacy 'behind French and German standards'

By Stefan Wagstyl and Andrew Adonis in London

The British government yesterday redoubled its commitment to improving educational standards after its international audit of skills showed that the UK lagged behind leading trading partners in basic literacy and numeracy.

The difficulties facing Britain were highlighted by a damning report from the government's schools inspectorate on General National Vocational Qualifications (GNVQs), the new system of school-based vocational courses.

The skills audit, which was published as part of the government's annual review of Britain's international competitiveness, showed that in basic skills the country lagged behind Germany, France and Singapore. Only in the US was there similar concern about poor literacy and numeracy.

At the level of school examinations for pupils aged 16 or more, Germany pulled well ahead of other countries thanks to its strong apprentice system. At degree level, the UK and the US came top. Britain also did well in lifetime education and information technology skills.

The report's conclusions were borne out by an opinion poll of 40 multinational companies, which said recruits in the UK and the US showed the greatest shortcomings in basic literacy and numeracy.

Mrs Gillian Shepherd, the education and employment secretary, said that the data did not reflect the latest improvements in British standards brought about by government reforms. She pledged to carry out further changes to deal with remaining areas of weakness identified in the report.

Meanwhile, Ofsted, the schools' inspectorate, found "major weaknesses" in the entire assessment regime for the GNVQs. Based on inspections of more than 60 schools, Ofsted said "urgent attention" was needed to protect the integrity of GNVQs. Standards of verification were "inconsistent", "too little attention" was given to judging the standard of students' work, and serious weaknesses were evident in arrangements for internal assessment by teachers. Mr Chris Woodhead, the chief inspector of schools, said: "The future of this qualification depends upon its credibility, and its credibility relies on the standard of assessment. There are serious problems on this score."

The number of students taking GNVQs has grown rapidly since the launch of the qualification four years ago. GNVQs are a key feature of the government's attempt to tackle the UK's weaknesses in vocational education, where Britain is universally agreed to be far behind Germany and many other EU states. Mr John Hillier, chairman of the National Council for Vocational Qualifications, stressed that the problems concerned "only a minority of centres", and that measures were already in train to tackle weaknesses.

Two months ago the UK education department announced a £10m ($15.3m) programme to improve the rigour of GNVQs, responding to earlier criticism of the qualification.

● A second big element in the government's competitiveness paper focused on state support for small businesses, which totals an estimated £400m a year. Ministers announced proposals to reform the distribution of the funds by delegating responsibility from ministries to Business Links, the network of business support organisations.

Editorial comment, Page 19

UK NEWS DIGEST

Sony complains of skills shortage

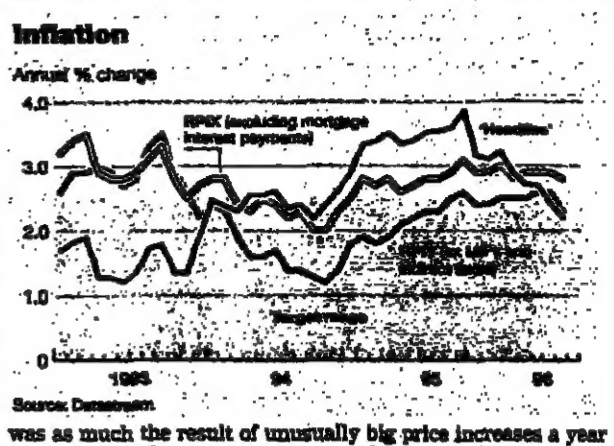
Sony, the Japanese consumer electronics group which has two plants in south Wales, said yesterday it was concerned that a tightening labour market was making it difficult to find suitable recruits. The company, which employs a total of 4,000 people at Bridgend and Pencoed, was launching a recruitment drive for 250 staff at Pencoed, where it is expanding production of televisions and monitors.

It says the local unemployment rate is 12 per cent and, until about a year ago, it did not need to advertise vacancies. It is seeking engineers, maintenance technicians and other skilled workers. Another recent recruitment drive offering 400 full-time jobs resulted in a shortfall of nearly 100 people. One reason for recruitment difficulties is competition from other manufacturers expanding in south Wales.

Roland Adburgham, Cardiff

Inflation rate plummets

Inflation fell to its lowest rate for 20 months in May, with food prices rising only half as quickly last month as they did in May last year. The headline rate of inflation fell to 2.2 per cent last month from 2.4 per cent in April, the Office for National Statistics said yesterday. City of London economists had expected the rate to remain unchanged, but the decline had little impact on interest rate expectations. The fall in inflation



was as much the result of unusually big price increases a year ago as subdued prices now. The retail prices index rose by 0.2 per cent in May to 152.9, half the increase reported in the same month last year.

Robert Chote, Economics Editor

Singapore closes investigation

THE BARINGS COLLAPSE

Former Barings executives, accused of cover-up in the official Singapore report into the UK investment bank's collapse, will face no charges in the island-state, it was announced yesterday. Singapore's commercial affairs department said it was taking no action against Mr James Bax, former head of South-east Asia for Barings, and Mr Simon Jones, former chief operating officer for the region. The Singapore decision brings to a close one of the last continuing investigations into the demise of Barings, which collapsed last year after Mr Nick Leeson, a derivatives trader in Singapore, built up hidden losses of £830m ($1,269m). The decision removes the shadow of a possible prosecution for Mr Norris. He said: "This closes a chapter for everybody who was affected by the unfounded allegations of criminal fraud in the inspectors' report... This period has been quite dreadful for all concerned. The collapse of the bank was devastating enough without being accused of fraud."

Nicholas Denton, London

Women pensioners compensated

British Gas has paid £8.48m ($12.97m) in compensation to 400 women employees who were forced to retire at 60 although they all wanted to continue working until 65 in line with men doing similar jobs. Unison, the public service union, negotiated the settlements after it successfully challenged decisions to retire women at 60 through the European Court of Justice.

The court ruled in 1990 that British Gas, the former state utility, was an "emanation of the state" and therefore bound by the European equal treatment directive.

Although Unison estimates that thousands of women could have been similarly affected in other "emanations of the state" – such as government agencies, the water and electricity industries and port authorities – it may be too late to lodge similar pension claims under the EU equal treatment directive.

Andrew Bolger, Employment Correspondent

Credit Suisse fined again

Imro, the regulator for the fund management industry, yesterday announced it was fining Credit Suisse Investment Funds £38,000 ($58,000) for incorrectly pricing seven unit trusts which it managed. In addition, CSIF, a subsidiary of the CS Holding, the Swiss banking group, has agreed to cover Imro's costs of £16,500, pay compensation of £36,000 to unitholders and inject around £18,500 into the unit trusts, bringing the total cost to £109,000.

It is the second time in two months the CS group has fallen foul of the UK regulators group. In April, the Securities and Futures Authority, which oversees the securities industry, banned Mr David Santangelo, a former bond salesman with CS First Boston, the CS group's investment banking arm. The SFA expelled Mr Santangelo from its registers for concealing a £5m loss from both his employer and his client.

Nicholas Denton, London

Truck sales fall sharply

The deepening problems facing the UK heavy truck market are emphasised by statistics showing that registrations of trucks of more than 15 tonnes fell by more than 11 per cent in May. This was the sharpest reverse since what had been a recovery of more than two years started to peter out in May.

ERF, the English truck maker – whose takeover by Western Star of Canada was agreed last month – was particularly hard hit. Its registrations fell 43 per cent on a year-on-year basis, leaving its registrations 34 per cent lower for the first five months of the year.

John Griffiths, London

Registrations of trucks (Jan-May '96)

	Volume (Units)	Volume Change (%)	Share (%) J-M 96	Share (%) J-M 95
Trucks (over 3.5 tonnes)				
Total	20,972	-6.1	100.0	100.0
Imports	12,939	-0.6	61.7	58.3
Iveco group* (Fiat)	4,450	-5.0	21.2	21.0
Leyland DAF (DAF Trucks)	4,011	-14.1	19.1	20.9
Mercedes-Benz (Daimler-Benz)	3,718	-0.9	17.7	16.8
Scania (Investor)	2,702	+9.5	12.9	11.0
Volvo	2,348	-9.5	11.2	11.6
MAN	1,298	+14.9	6.2	5.0
ERF	901	-34.0	4.3	6.1
Renault	795	+1.0	3.8	3.5
Of which Heavy Trucks (over 15 tonnes)				
Total	12,930	-8.2	100.0	100.0
Scania (Investor)	2,702	+9.5	20.9	17.5
Volvo	2,201	-8.9	17.0	17.2
Leyland DAF (DAF Trucks)	2,146	-12.7	16.6	17.5
Iveco group* (Fiat)	1,627	-6.9	12.6	12.4
Mercedes-Benz (Daimler-Benz)	1,403	-18.5	10.9	12.2
ERF	901	-34.0	7.0	9.7
MAN	798	+25.1	6.2	4.6
Renault	547	+8.1	4.2	3.6

(names in brackets indicate ownership)
*Includes Iveco Ford and Seddon Atkinson.
Source: Society of Motor Manufacturers and Traders and industry estimates

RECRUITMENT

JOBS: A New York headhunter explains his aggressive approach to replacing insurance executives

A cuckoo's guide to the art of placement

Either cuckoos are very clever or other birds are very stupid. Whatever the case, there seems little dispute that, however unpalatable its parental habits, the cuckoo is remarkably successful at placing its own offspring in others' nests.

Too late do the smitten parents discover that their own brood has been clinically dispatched by an imposter. Many of us tend to sympathise with the hardworking parents but whatever we may think about the cuckoo, it has discovered a successful formula for species survival.

I was thinking about the cuckoo last week when I met Victor Caleo, the headhunter who helped place Michael Crall, the new chief executive of Equitas, the reinsurance company that will take over billions of pounds of asbestos and pollution liabilities at Lloyd's, the London insurance market. Caleo, chief executive officer of the New York-based Michael Scott Consulting Company, specialises in finding people for executive posts in the insurance market.

But like the cuckoo, Caleo does not wait to be invited into the nest: he often takes equity stakes in companies he believes are badly run and can be turned around by better management. If rebuffed by a chief executive he considers mediocre, he aims to convince the rest of the board that they need someone new at the helm. Caleo then offers to find a replacement.

Old boy network

It is an aggressive form of recruitment (and not, it should be stressed, the technique used at Lloyd's, where Caleo was engaged as a conventional search consultant). But Caleo believes it is justifiable to shake up what he considers a cosy industry, where the boards are too often drawn from the old boy network.

Caleo says: "I follow the industry. I know those companies that are well managed and those that are not. The poor ones target themselves by falling below the standards of excellence. The overvalued CEO spends an inordinate amount of his time befriending his board and not enough focused on the business in hand."

His methods often meet with disapproval from competitors. "They don't like the way I do business," he says. "My competitors spend a great deal of time making friends and being nice to people. I am focused only on results. I act like a shareholder with a mission and people are taken aback by that."

Caleo is particularly critical of placements where chief executives who have failed in one company find an appointment in another. He accuses some chief executives of deliberately recruiting people with skills inferior to their own so they will not feel threatened.

Caleo buys only small stakes – he says he tries to top the personal shareholdings of the chief executive in a target company. It is an unusual approach and ultimately his record stands or falls by his recruitment success. He calls himself a "dislodgement specialist". Even some who would baulk at his methods might feel that a little dislodgement is overdue in some UK companies where the directors have spent too much time feathering their own nests.

Although Caleo's approach might be unusual in headhunting, financial institutions are increasingly seeking to influence the appointments, pay and contracts of directors in companies in which they invest.

The extent of this was disclosed in a recent study by John Holland, professor of International Banking and Finance at Glasgow University. He found widespread evidence of institutions seeking to intervene in corporate governance and performance issues.

Increasing scrutiny

Boards appear to be under increasing scrutiny from several quarters. Last week an Industrial Society report criticised the lack of preparation given to boardroom appointees. Tony Morgan, the society's chief executive, said entrants to boards were receiving "wholly inadequate" preparation. It seems something of an oversight that companies which stress the need for training elsewhere in their workforce forget to apply the same disciplines to directors.

It is almost as if once someone has reached board level he is considered to have reached some divine state of enlightenment which puts him apart from other mortals. Morgan thinks differently: "Top managers are never too old or too busy or too distinguished to learn new skills."

If they believe they are, they might soon find themselves looking over their shoulders at the Victor Caleos of the recruitment industry.

Two or three weeks ago I wrote about the difficulties in classifying the achievements of Joe Di Maggio, the great baseball player, using ordinary measures of success. The point was to illustrate the argument that aesthetic or subjective assessments might sometimes be as useful if not more useful than hard measures of attainment.

Robert Ruggles, of Ruggles Investment Services, in Toronto, has supplied further examples from Di Maggio's career which seem to question whether human resource benchmarking has its limitations. By any normal measure of fitness Di Maggio might never have reached the major leagues because of a knee injury. As Ruggles observes, the supposed impediment never appeared to bother him.

Di Maggio's streak

Di Maggio's 56-game hitting streak, says Ruggles, needs to be viewed against the high quality of his surrounding team mates. Had Di Maggio played for a lesser team, he argues, the opposition would have pitched around him.

Ruggles adds: "He never made a mental error – throwing to the wrong base, trying for too few or too many bases or missing the cut-off man." None of these judgments is counted statistically yet they win games.

Finally, says Ruggles, Di Maggio knew when to quit: "He knew he could not do in the future what he had done in the past, although that still would have been more than almost all other players – a lesson for highly paid CEOs today."

These observations suggest that benchmarking has not yet found a way of classifying Di Maggio's achievements in sporting history. Long may it remain so.

A report from Korn/Ferry International and the London Business School on the central and eastern European recruitment market confirms a number of trends that have been emerging during the last three or four years.

There has been no let-up in demand for expatriate managers. Expatriates filled about a quarter of the managerial positions among the 157 employers in the survey, which covered six countries: the Czech Republic, Hungary, Poland, Romania, Russia and Slovakia. Some 82 per cent of the companies, however, were either foreign owned or joint ventures.

Demand for expatriates has increased in line with demand for local managerial talent as companies become increasingly westernised and competitive. Salary increases for local managers have spiralled, by more than 25 per cent over two years. Marketing, sales, top management, financial and change management skills were found to be in short supply and recruitment methods were becoming more sophisticated.

The central and eastern European labour market, concludes the report, is being divided into the "haves" – those with managerial skills – and the "have nots" – those with redundant skills or with no skills at all.

Human Resource Trends in Eastern Europe can be obtained from Korn/Ferry Carré/Orban International, 252 Regent Street, London W1R 5DA, tel 0171 312 3100.

Richard Donkin

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Assistant Portfolio Manager - Equities:

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- Demonstrate good analytical skills and portfolio management abilities.
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As a well qualified graduate, MBA or ACA you will have a thorough understanding of the water sector and its regulatory issues. You will have a minimum of 3 years experience gained through either strategic planning or business development within industry; as an analyst; or through corporate advisory work. Strong analytical, financial modelling, verbal and written communication skills are essential as is the ability to market your understanding of the strategic issues and implications for market valuations to clients.

For an initial discussion in confidence please contact us quoting reference 5420 at 20 Cousin Lane, London EC4R 3TE. Telephone 0171 236 7307, or Fax 0171 489 1130, or E-mail ascovell@stephens-uk.parasoft.co.uk

STEPHENS
SELECTION
STEPHENS

INTERNATIONAL EQUITY SALES TRADER

We seek a sales trader for our globally recognized financial services company located in the Northeast.

The position's primary responsibility is to assist a growing team in the development of a profitable international institutional equity sales trading organization.

More specifically, the chosen individual will convert his/her client relationships to an ongoing, profitable trading flow, develop new business/new accounts, and cross-sell services. This person will also establish effective working relationships with our UK sales and trading organizations.

To qualify, you must have achieved status as an international equity sales trader at a competitive financial institution with experience in the institutional account sector and previous experience in related areas. You should also have demonstrated success generating a consistent client base and developing new accounts, stellar sales and marketing abilities, and excellent communications on all levels of management, both internally and externally. We seek an action-oriented team player, master communicator, and a reliable, well-versed financial source who can translate market views and knowledge into added value for clients.

Compensation includes a competitive salary and performance-driven bonus. Interested, qualified individuals are invited to submit resumes to: Box FT272, 401 Broadway, Suite 2100, New York, NY 10013. An equal opportunity employer M/F/D/V.

SENIOR CREDIT ANALYST

The commodity business unit of one of the world's leading investment banks is seeking a Senior Credit analyst for its London based European Headquarters. The position will involve the following:-

- analysis and assessment of worldwide counterparties
- monitoring and control of counterparty exposures
- managing the commodity risk profile of the Company's counterparts in conjunction with traders and the commodity risk management team

The role is ideally suited to individuals of graduate calibre who will have received formal credit training and the benefit of at least 5 years' experience, particularly in the analysis of European corporates. Exposure to the assessment and management of derivative and structured transaction risk would be an advantage.

The successful candidate would be involved in regular communication both internally with the company's traders and externally with its trading counterparties. Therefore, a high level of interpersonal and communication skills, both written and oral, is required. An enthusiastic team player is required.

A highly competitive remuneration package will be offered to the successful candidate, including a good basic salary and performance related bonus.

Please send a fully curriculum vitae to: Box A5879, Financial Times, One Southwark Bridge, London SE1 9HL

Portfolio Manager (Far East)

Based near London Bridge

United Friendly Asset Management is seeking to apppoint a Manager for its Far East (including Japan) portfolios to maintain their record of above-average fund performance.

Reporting directly to the Investment Manager, you will be responsible for the general management and performance of Far Eastern equity portfolios valued in total at £300m. You will also be expected to participate in the overall tactical asset allocation process for the funds under management (currently in excess of £3 billion).

Educated to degree standard and ideally IIMR-qualified, you will have 3 to 5 years' investment management experience and be computer literate.

The salary package (including car, bonus scheme, etc) will be commensurate with age and experience.

To apply, please send full career details, indicating current salary, to Judith Stott, Personnel Department, United Friendly Insurance plc, 42 Southwark Bridge Road, London SE1 9HE. Closing date for applications: Wednesday 19th June 1996.

Committed to Equal Opportunities in Employment.

United friendly
PERSON TO PERSON

EDITOR

FINANCE AND ECONOMICS

The Economist is seeking an editor for its Finance and Economics section. This is a senior job for a journalist with a strong understanding of economics and of the workings of financial markets. The section editor must inspire and lead an international team of writers, as well as handling the commissioning and editing of stories.

The job is based in London, and commands excellent pay and conditions. Applications to The Editor, at the address below, by June 28th.

The Economist
THE ECONOMIST NEWSPAPER,
25 ST JAMES'S STREET,
LONDON SW1A 1HG.

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Andrew Skarzynski on +44 0171 873 4054

Will Thomas on +44 0171 873 3779

Clare Bellwood +44 0171 873 3351

US Equity Sales

We are looking for a US Equity Salesperson to service our German client base. The candidate should be fluent in German and English and have been educated to a graduate level. Some experience in the financial world would be an advantage.

We will offer a competitive salary and excellent working conditions in an experienced team.

If you wish to be considered for this opportunity you should send your CV:

Jackie Burke,
Smith Barney Europe Ltd.,
3 Lombard Street, London EC3V 9AA

A leading firm of international stockbrokers, based in the City of London, is seeking to recruit two *Sales Executives* to join their rapidly expanding Emerging Markets division, specifically to market Korea, China and Taiwan and India.

Applicants, in addition to being degree qualified, will have a minimum of five years experience in Corporate Finance/Broking, significant knowledge of the financial markets of Korea, Taiwan, Greater China, India and the sub-continent and be fluent in English and the local dialects of the countries that they will be representing. Candidates will have excellent marketing skills and be able to demonstrate the drive and determination to succeed in these fast moving and exciting markets. The salary and an attractive benefits package will be commensurate with the required skills and experience.

Applications should be submitted in writing, enclosing a current CV, to:

Box A5878, Financial Times, One Southwark Bridge, London SE1 9HL

ASSET MANAGEMENT - SENIOR TRADER

The Asset Management operations of a newly formed investment management house seeks a senior trader to augment its existing team, as a risk manager for fixed income portfolios.

The successful candidate, aged 25-35, will have spent at least 3-5 years in Proprietary Trading at a major investment bank; being exposed to fixed income and foreign exchange risk taking in both the cash and derivative markets. Proven experience and up-to-date knowledge in all current methods of measuring risk are a pre-requisite as is the ability to demonstrate competent quantitative skills. Strong academic qualifications are required to PhD level. Fluency in either Japanese or Chinese is desirable. Salary will be according to age and experience.

Write to Box A5875, Financial Times, One Southwark Bridge, London SE1 9HL

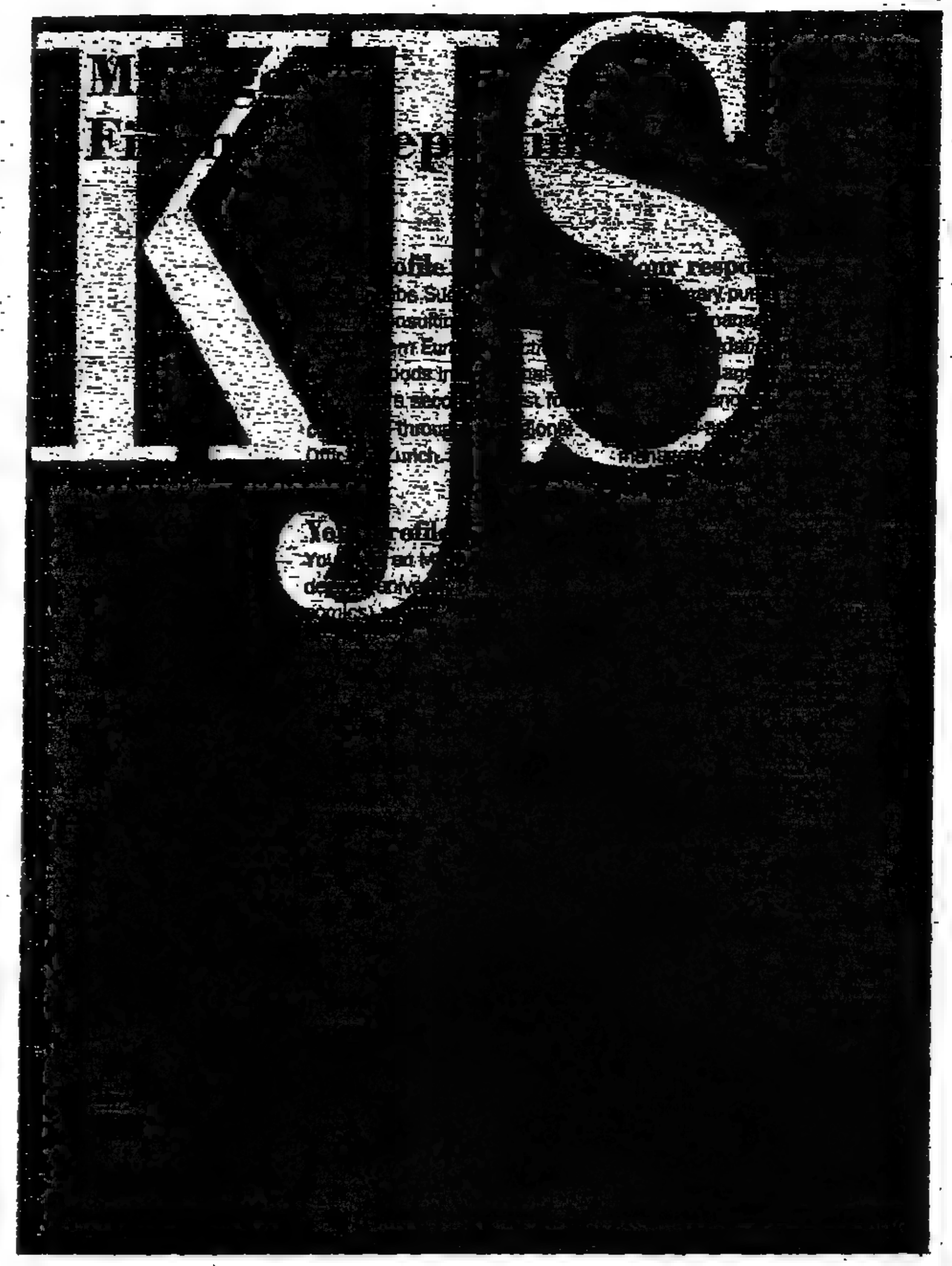
GROUP MANAGING DIRECTOR

Diversified Group of Companies

Gulf Based **Negotiable Salary**

- *Our client is a well established and diversified group of companies in the United Arab Emirates. Due to expansion, the Group is now looking for an aggressive, profit-minded and result-oriented individual with proven track record at a senior management level in a similar organisation to manage the Group.*
- The Managing Director will work closely with the Chairman and General Managers of the individual companies to ensure the successful operation of the Group.
- The ideal candidate must possess the following:
  - Strong experience in Finance and Marketing.
  - Excellent interpersonal and human resource development skills.
  - Wide knowledge of different business fields (trends, sucess factors, competitive positioning) with very strong expertise in at least two business areas including high technology.
  - Proven ability to develop and manage business ventures from conception to maturity.
  - Business management and performance measurement skills using modern techniques such as TQM, JIT, Diversified Portfolio Management and Risk and Liquidity Management.
  - Strong strategic planning ability and experience including preparation of strategic plans (vision, mission, objectives and goals) for a diversified group of companies.
- *Qualified candidates must have a business degree from a western university at the MBA level and must have a minimum of 15 years experience in management positions.*
- Only qualified candidates should forward career details including salary history by 15 June 1996 to Executive Recruitment Division, Ernst & Young, P.O.Box 136, Abu Dhabi, United Arab Emirates, Fax No: +971 2 722968. Only shortlisted candidates will be contacted.

ERNST & YOUNG



INTERNATIONAL M & A

An expanding international firm with offices in ten countries is seeking entrepreneurial M & A professionals,
with a minimum 5 years transactions experience,
to join our London offices.

Our firm is a leader in mid-market cross border M & A.

Please send resume in confidence to Box A5677, Financial Times, One Southwark Bridge, London SE1 9HL to obtain further information.

MANAGEMENT TRAINEE

Long term development and growth in private limited company expanding in Central London. Individuals aged 25-30 seeking opportunities in financial markets. Potential to progress to senior management with full profit share. Contact:

LEWIS SMITH
0171 240 3310

APPOINTMENTS WANTED

SWITZERLAND

Global Internal Audit
SENIOR AUDIT MANAGER (45)

professional with many years varied world leaders experience (banking, service & airline industries). Swiss & Brit, working German & French. Currently travelling 75% for a global company & 25% base work from his own office in Zurich desires a more challenging similar, or a permanent/contract role.

Phone 0041 (0) 77 782193 anytime

PROFESSIONAL ITALIAN MALE AVAILABLE

with experience in PR, Marketing, Sales and General Management. *In-depth knowledge of Italian industry, with many contacts. Ideal candidate for expansion programme in Europe.*

Please Fax: Francesca Leoneri (Secretary) on 0039-6 4882500

TECHNICAL ANALYST

10 years (international) experience of global equity, currency, commodity and bond markets. Proprietary analysis/trading systems. Exemplary blue chip references and forecasting/trading record. Wide experience of asset management industry including sales, marketing and product development - seeks challenging position within dynamic organisation.

Tel/Fax: (+44) 1625 560800
Mobile (+44) 589 101080

ACCOUNTANCY APPOINTMENTS

Coopers & Lybrand | Executive Resourcing

Financial Director

CITY **£ NEGOTIABLE**

For a new type of innovative investment vehicle, a listed, authorised property unit trust which is expected to have significant tax advantages over conventional property companies and could transform property investment in the UK. *An exciting opportunity exists to join the small key management team in establishing this new entity and building it* into a significant force in the UK investment industry.

Reporting to the Managing Director and managing a small staff you will be responsible for ensuring that an effective accounting organisation is developed and maintained for planning and controlling the Trust's operations and that all statutory legal, regulatory and compliance requirements are met. A key component of the role will be maintenance of relationships with the Stock Exchange, IMRO, SIB, the *appointed trustee, the sponsor and the unit trust administrators. You will also be responsible for overseeing contracts and agreements with all key parties.*

A qualified accountant, preferably chartered, you will have a very strong academic record at least to degree level; post graduate qualifications *would be beneficial. You should already have experience of leading the finance function in a substantial financial services organisation and will* have an in-depth understanding of the Stock Exchange regulations and requirements gained in, or close to, a publicly quoted company. A comprehensive understanding of unit trust regulations will also be very *important as will familiarity with securitisation. You should also have* experience of overseeing compliance under SIB and IMRO. The personality and track record to inspire confidence with City institutions, investors and regulators will be essential.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to E Torrance Smith, *Coopers & Lybrand Executive Resourcing Ltd.* 1 Embankment Place, London WC2N 6NN, quoting reference TS1183 on both envelope and letter.

FINANCE DIRECTOR

HIGHLY ACQUISITIVE SERVICE SECTOR BUSINESS

LONDON ***TO £50,000 + ATTRACTIVE BONUS + BENEFITS PACKAGE***

- Young and entrepreneurial company operating within the service sector, has recently secured backing from a major international group to fund its ambitious plans for expansion, which *include a tenfold increase in turnover in the next* five years.
- Excellent opportunity for commercially orientated accountant to join the senior management team and play a major role in the development of the business.
- *Key accountabilities include the introduction of* sound financial controls and practices to support the rapid expansion of the business, as well as heavy involvement with acquisitions which form the basis of their strategy for growth.
- Probably in your mid-thirties and a qualified accountant, your background should include a large blue chip plc known for its sound financial management practice, ideally with multi-site *operations where customer service is at the* forefront of business requirements.
- Previous experience operating at Finance Director level would be of benefit, although candidates who can demonstrate rounded experience, including exposure to acquisitions, are also relevant.
- Strong communication and management skills are vital, *together* with a willingness to 'roll up your shirt sleeves' and be involved with detail as well as operating at strategic level. A high degree of computer literacy, preferably including systems implementation experience, is also required.

Please apply in writing quoting reference 1160 with full career and salary details to:
Susan Ryder
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.ghnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

Group Financial Controller

c£65,000 & Car & Performance Bonus

This client is a very successful International marketing services group which in 5 years has established itself in 15 countries across Europe and Asia/Pacific. Turnover is anticipated to reach over £100 million over the next year with strong *demand in many markets* underpinning further growth. It is a dynamic and flexible business which is profitable and cash generative.

The Financial Controller will be responsible for a small team at *the headquarters in West London and a decentralised accounting/* financial control activity in the overseas businesses. Apart from the normal aspects of financial control there is a particular challenge to enhance the *financial analysis* and management accounting function *and to increase participation with line management and the Board with* changing business issues.

Applicants must be high achieving qualified accountants who combine strong technical ability with an understanding of commerce *and an aptitude for contributing to the life of the business.* Several years experience of management involvement in a dynamic, well run, sales orientated international business is very important.

Age guideline – mid 30's upwards.

Please reply in confidence quoting ref L612 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB.
Tel: 0171-240 7805.

Mason Izzard
a Mason & Nurse Associate

FT

Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Toby Finden-Crofts on +44 171 873 3456

MARS ELECTRONICS INTERNATIONAL

Finance Manager

Berkshire **c £40,000 + Relocation**

Mars is a world leader in each of its main businesses – branded snack foods, petcare products, main meal foods, electronic automated payment systems and drinks vending.

Much of their success has resulted from original and innovative thinking. *Vending machines were first used by Mars* to increase the distribution of its confectionery products and this, in turn, led to a need for a reliable coin acceptance mechanism: and so Mars Electronics International (MEI) was born. Over the last twenty-five years, the company has built on its experience in electronics and international currency and now delivers a wide variety of coin, note and card payment solutions to worldwide markets including transport, telecoms, leisure and vending.

Today, all over the world, millions of people take it for granted that they can buy products or services around the clock – automatically and reliably; MEI is at the forefront of this technology.

A key opportunity has now arisen. Reporting to a US based Financial Controller, the Finance Manager is responsible for offering commercial support to senior managers within areas such as manufacturing, production planning, logistics and purchasing. Much of this input will be on an ad-hoc, project driven basis demanding a thorough understanding of complex business issues. In addition, the jobholder will be the finance representative on a multi-disciplinary team that is driving through a number of business re-engineering initiatives.

This is a true fast-track development role for a professional with aspirations towards senior management – either within the financial discipline or in a general management context.

Candidates will be graduate calibre, qualified accountants with a minimum of 18 months pqe gained in a progressive blue-chip manufacturing environment. Most importantly, you will be able to demonstrate above average intellect, excellent interpersonal skills and accelerated career development to date. Relocation facilities are available where appropriate.

Interested applicants should forward a comprehensive CV, including details of current salary and daytime telephone number to *Dan Chavasse, Michael Page Finance,* 1st Floor, 40-42 High Street, Maidenhead, Berkshire SL6 1QE. Please quote reference 294764.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Nottingham St Albans & Worldwide

هكذا من الأصل

Experienced Corporate Financiers

London — **Competitive packages**

▪ As part of one of the world's most powerful professional services firms, our Corporate Finance Team is building an enviable reputation for originating, executing and advising on a number of high profile transactions.

▪ Currently enjoying a period of unrivalled growth, and as part of an ongoing recruitment programme, the practice seeks a number of experienced corporate financiers to meet the increasing demand in the following areas:

Private Company Sector

▪ To include:
- Originating, leading and managing all aspects of mergers and acquisitions, refinancings and disposals.
- Facilitating marketing initiatives, creating and developing close relationships with senior clients.
- Participating actively in the strategic development of the Corporate Finance Team.

Public Company Sector

▪ To include:
- Providing advice to smaller quoted companies on financing, restructuring, contested and friendly takeovers.
- Maintaining effective links with stockbrokers, fund managers and senior industry figures.
- Providing strong technical support.

▪ To take full advantage of the outstanding career development opportunity, you should have:
- A minimum of three years' relevant experience with a merchant bank, stockbroker or similar organisation.
- An impressive academic background with an MBA, accountancy or legal professional qualification.
- Strong technical ability combined with a high level of commercial acumen.
- Excellent communication/presentation skills, with the adaptability and credibility to inspire confidence in clients and colleagues alike.

▪ ***If you are one of the exceptional people we are looking for please send your CV, together with your current remuneration package to Rebekah Brummell, Ernst & Young, National Human Resources, Lintas House, New Fetter Lane, London EC4A 1EU.***

ERNST & YOUNG

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

Senior Internal Auditor

- LONG TERM CAREER PROSPECTS
- INTERNATIONAL RESPONSIBILITIES
- MULTINATIONAL INTEGRATION CHALLENGES
- FRANKFURT BASED

The recent union of Elsag Bailey and Hartmann & Braun has created a global automation company with revenues of nearly $2 billion. The new company offers a comprehensive portfolio of distributed control systems, process instrumentation, analytical products and professional services. Operating units are located in 25 countries with over 12,000 employees worldwide

A significant international career opportunity exists for a Senior Internal Auditor covering business units throughout Germany and some other European countries.

Based in Frankfurt and reporting to the head of Corporate Audit this position will plan, implement and report on both financial and operational reviews. In addition to helping develop departmental strategy the position will add value to a complex business operating in a highly competitive environment.

Successful performances in this key role will result in rapid career progression within either the audit function or line management.

Candidates will have a professional qualification and <u>must</u> have fluent written/spoken German/English. A background in a major public accounting firm is essential with a minimum of 4 years experience. Preference will be given to candidates experienced in auditing complex computer systems and manufacturing/technology operations who have demonstrated the ability to bring benefit to the business. There will be a requirement for 50% business travel

A competitive German remuneration package will be offered with relocation assistance to Frankfurt if necessary.

Please mail or fax a comprehensive CV and details of present compensation to: Martin Carlisle, European HR Director, c/o Hartmann & Braun (UK) Ltd, Moulton Park, Northampton NN3 6TF, England. Fax: 00 44 (0) 1604 671284.

Elsag Bailey
Process Automation

UK FINANCE DIRECTOR

Dynamic, high growth...
...£50m + UK business. Backed by resources of 600m international group. Excellent potential for further penetration of relatively untapped markets. Rapid expansion has brought problems as well as success; the company now requires stronger commercial disciplines and firm financial leadership.

Full accountability...
...for management and financial accounting, company secretarial, MIS and sales administration functions. Bring stability and team spirit to a large finance group. Develop and implement high integrity controls and effective information systems.

Graduate, strongly commercial...
...CA/ACMA, currently in senior financial post within highly respected organisation. Particular experience of investment/capital goods and commercial contracts. Practical, pragmatic, hands-on style, with ability to create and maintain cohesive team approach in high growth environment. Thorough grounding in UK finance and tax legislation; good understanding of international accounting standards. Experience of dealing with overseas companies very helpful; first class interpersonal, communication and presentation skills mandatory.

Financial Accountant

Germany — **110 – 140,000DM**

Our client is a major international group and one of Britain's foremost industrial companies, developing and manufacturing a wide range of advanced and high technology products. With a turnover of approximately £1.5 billion, it employs around 17,000 people worldwide and has major plants in the UK, North and South America, Continental Europe and Asia/Pacific. Highly acquisitive, the company is committed to achieving technological leadership in all of it's core markets.

An opportunity for an outstanding finance professional has arisen in a subsidiary based near Dortmund, Germany. Reporting to the Financial Controller of this £100 million turnover business, the role will encompass full functional responsibility with particular emphasis on the development of financial systems and management reporting. There will be a high degree of commercial and operational involvement.

This is a 'hands-on' and highly influential role and will be of particular interest to those seeking a stepping stone to their first Financial Controllership/Directorship. The successful candidate will be an ambitious self-starter with strong interpersonal and organisational skills. Additionally, the role carries strong prospects for progression either in Germany or elsewhere in the group, including the UK. Naturally, a firm grasp of the German language and taxation system is a pre-requisite.

Interested candidates should apply in writing quoting reference 288494 and enclosing a full CV (including telephone number and details of present remuneration) to Stephen Wilson, Michael Page International, The Citadel, 190 Corporation Street, Birmingham B4 6QD.

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

GE Lighting Europe

European Finance Manager

Budapest — **$ Excellent Package**

GE Lighting has taken aggressive steps to globalise and enhance its world position which has resulted in it becoming one of the major leaders in the lighting industry in Europe. Its European operations now employ over 12,000 people across 13 manufacturing sites in Hungary, Germany, the UK, Italy and Turkey, and produce over 800 million lamps a year.

As a result of internal promotion, it now seeks to recruit a European Finance Manager to be responsible for all its manufacturing and distribution operations. Reporting to the CFO and the VP-Manufacturing and Operations, the role will encompass a broad range of financial and operational issues. As well as ensuring that all reporting requirements are adhered to, there is a heavy emphasis on financial analysis of variances and trends. Of equal importance will be responsibility for manufacturing operations and logistics covering areas such as cost reduction, pricing issues, union negotiations, strategic planning and special projects. A critical area will be to lead process improvement and change.

The seniority and breadth of this role means that the person specification is exceptionally high. With a background in manufacturing gained within an international company, you will have strong technical skills, hands-on experience of operations and logistics and the ability to manage change. Preferably an MBA graduate, you will have a proven track record in finance at a senior level. You will also possess excellent interpersonal skills, be self confident, a team player and have above average organisational skills. Any relevant language ability would be an advantage, although not essential. For the right person this position offers a highly competitive remuneration package plus excellent career prospects within a global company.

Interested candidates should forward a comprehensive CV, stating a daytime telephone number and current remuneration, and quoting reference number 294163, in strictest confidence, to Hugh Everard, Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street London WC2B 5LH, England, or fax +44 (0) 171 404 6370.

Michael Page Eastern Europe
International Recruitment Consultants

INTERNATIONAL AUDIT MANAGER

The Client

This long established multinational bank, is pre-eminent in the Gulf region. It has consistently demonstrated sustained growth and is committed to investing in cutting edge technology and developing the latest banking products. A strong Anglo-American culture has ensured the successful development of services within treasury, corporate, retail and investment banking.

The Role

Reporting directly to the Head of Audit, the incumbent would take full responsibility for co-ordinating and carrying out the audits of all offices outside the domestic audit team's remit. The brief will be to work closely with senior management to improve the bank's internal controls and risk management systems. Based in the Gulf, the role will involve substantial amounts of international travel to the UK, America, Europe, the Far East and Middle East.

The Candidate

You will be a qualified accountant with at least four years post qualification experience gained within a banking environment or with a financial services client base. Due to the high profile nature of the role, it is critical that applicants have the ability to influence change at the highest levels, be credible when dealing with senior management and be technically up-to-date with the latest developments within the banking world. You must be comfortable with relocation to the Middle East and significant international travel.

c£60,000
+ expatriate package

Gulf Region with substantial travel

DOUGLAS LLAMBIAS ASSOCIATES
RECRUITMENT CONSULTANTS

DLA

Please forward your CV in the strictest confidence to Jonathan Gill at Douglas Llambias Associates, 10 Bedford Street, London WC2E 9HE, telephone on 0171 420 8000 (evening/weekends 0181 987 8860) or fax 0171 379 4820

DLA

FINANCIAL ACCOUNTING MANAGER

Oil and Gas E&P and Service Company

Central London

To £52,000 plus exceptional benefits package

Our client is a highly successful business, based in Central London and operating internationally. Continued expansion, both by acquisition of new acreage and through joint ventures, has led to a structural review of the finance and accounting functions. The result is a requirement for a *Financial Accounting Manager* to:

- Develop appropriate accounting and management reporting systems
- Implement effective controls and procedures across the company's operations
- Deliver timely and accurate, statutory, financial and management information
- Build and promote personal and professional relationships with senior colleagues internally and with banks, auditors and other advisors externally

A qualified accountant, preferably ACA/CA with a degree, you will have 10-15 years' oil and gas experience, some having been gained outside the UK. A communicator and an achiever, with strongly developed commercial skills, you will have proven your ability to work to tight time deadlines and to add value to business through your relationship-building skills. The proposed terms of employment reflect our client's commitment to excellence and, because of the urgent nature of the appointment, initial selection interviews will take place in the next 4 weeks.

Interested candidates should write with full CV, quoting current rewards package to Richard Roberts, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HRR/4220/FT.

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

JOINT VENTURE ACCOUNTANT

Oil and Gas E&P and Service Company

Central London

To £45,000 plus benefits package

Our client is a highly successful business, based in Central London and operating internationally. Continued expansion, both by acquisition of new acreage and through joint ventures, has led to a structural review of the finance and accounting functions. The result is a requirement for a Senior Joint Venture Accountant to:

- Develop and install systems and procedures to meet field and operational needs
- Provide effective systems and accounting support to field personnel
- Coordinate and be responsible for all international JV accounting
- Represent the company's interests as operator in commercial, procedural and technical negotiations with partners and other third parties

An experienced professional, with a recognised accounting qualification, probably ACMA, you will have 8+ years' oil and gas experience and be able to show us a track record of success in international joint ventures. *Culturally aware and commercially adept, you will be able to lead, and gain advantage for the client's* involvement in JVAs, JOAs and other financial aspects of substantial JVs, often working against tight time and pressure constraints. This is an urgent appointment so initial interviews must take place in the next 4 weeks.

Interested candidates should write with full CV, quoting current rewards package to Richard Roberts, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HRR/4221/FT.

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

ASSISTANT TREASURER

Ambitious, technically strong, Treasury professional of the highest calibre to build a career in a major Group with substantial overseas interests

Up to £45,000, car + exceptional benefits — **Thames Valley**

The continuing growth of this major multi-national is reflected in the development of its Treasury function *over the last few years*. This has been marked by a *professional, forward thinking and highly successful* approach to the funding of the group, by careful management of interest rate exposures, and by assiduous stewardship of the funds committed to many overseas interests. The Treasurer is now looking for a high calibre specialist to work closely with him on all these tasks. The appointee will also be involved in regular *reporting and forecasting, some back-up dealing, and ad hoc projects; the department is too small for lines of* demarcation, and the ability to work as part of a team is essential. Candidates should be graduates (innate numeracy is more important than degree discipline) and qualified accountants who have already demonstrated the interest and ability to have achieved, or to be on the way to achieving, ACT qualification. They must have *several years' hands-on Treasury experience, with either a major corporate, a bank or a consultancy, and this* background should have developed strengths in bank relationship management, strong negotiating skills, an understanding of relevant tax issues, a working knowledge of Commercial Paper and an ability to use IT which goes beyond mere literacy. An understanding of overseas treasury work will be particularly valuable. *Please send full career details, quoting reference* WE 6069 *on both letter and envelope, to* Terry Ward, Ward Executive Limited, 4-6 George Street, Richmond-upon-Thames, Surrey TW9 1JY.

WARD EXECUTIVE LIMITED
RICHMOND-UPON-THAMES • EDINBURGH

FINANCE MANAGER - MANUFACTURING

VOLUME COMPONENT MANUFACTURING AND ASSEMBLY
TO £40,000 PACKAGE — ISLE OF MAN

Strix is the world's leading supplier of thermostatic controls for the domestic appliance industry. It holds the Queen's Award for Exports and Manufacturer of the Year Awards. Manufacturing *from its Isle of Man and Chester factories*, it exports to over 30 countries and has achieved its success through product innovation and quality.

Re-structuring of the finance function has created this new position, which will report to the Finance Director. It carries responsibility for all factory accounting and controls, budgeting, new product costing and the development of appropriate integrated IT and reporting systems.

Candidates, probably in their 30's and qualified CMA's, will have a wealth of relevant experience gained ideally in a major plc with recent experience of MRPII systems. An engineering environment would be appropriate, but above all we seek a hands-on, practical team player who can keep pace with the ambitions of a technology driven company, which is growing rapidly.

Please send a comprehensive CV to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-839 2000, Fax: 0161-839 0084, quoting ref: F.T.CR1.

Strix Ltd INNOVATIVE TECHNOLOGY

Howgate Sable & PARTNERS
EXECUTIVE SEARCH AND SELECTION

London • Manchester • Leeds • Newcastle

ASSISTANT TREASURER

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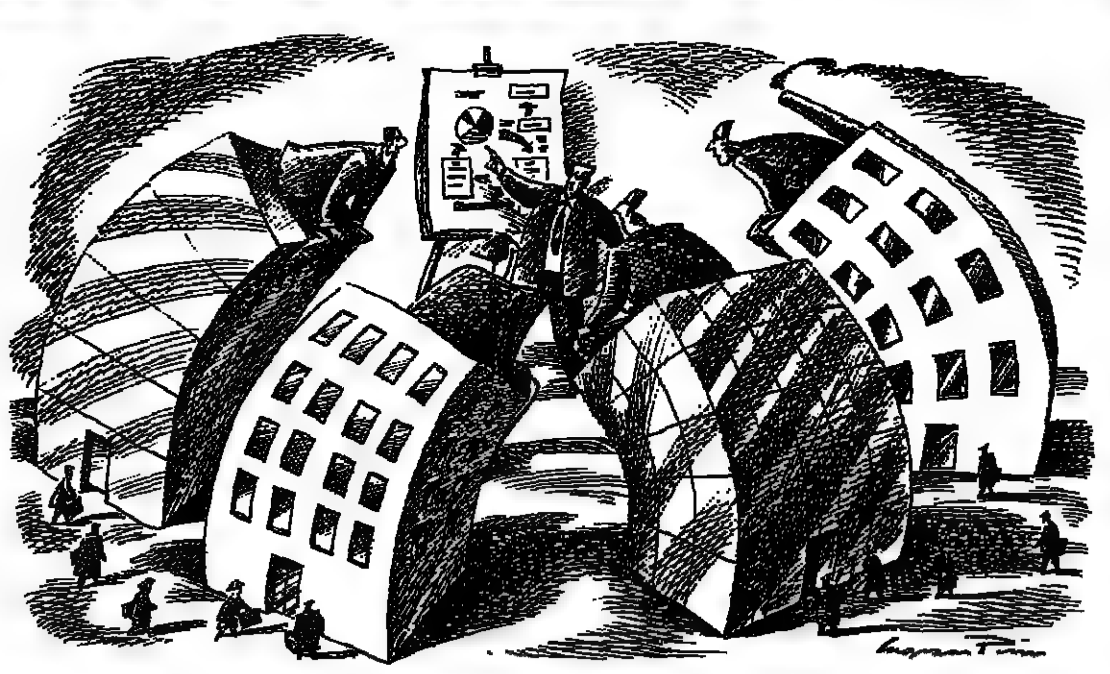
MANAGEMENT



Richard Gourlay spends a week at Insead and finds out what it offers entrepreneurs

Lessons from the forest

When I arrived as a guest at Insead's Owner-Directors' programme I had expected the ice to take some time to melt. I had anticipated a degree of scepticism about the teaching of entrepreneurship after talking to businessmen in the UK who denied the need for courses because they ran their businesses "instinctively".

I was wrong on both counts. Even before the first lunch was over, the entrepreneurs were displaying a willingness to share their problems and learn by their mistakes.

One was struggling with the issue of how to divorce a business partner who was not pulling his weight. Another was wondering how to provide incentives to top management. A third was troubled as to how he could disengage from operational responsibilities and take a more strategic view of the business.

A fourth was unclear whether to take on a non-executive director.

The Owner-Directors' Programme is designed for entrepreneurs who are expanding their businesses and want to grow them some more but who recognise that there are obstacles which they need to negotiate at the different stages of growth.

It is held in two separate seven-day sessions each year at the international business school's leafy Fontainebleau campus outside Paris. Sponsored by Ernst Young, the accounting firm, and Gilde Investments, the Dutch-based venture capital company, it is one of the most compact courses provided by any business school for entrepreneurs, most of whom can spare little time from their businesses.

My 20 classmates were from many backgrounds. They owned businesses that invested in Czech property, distributed books and fast-moving consumer goods in Ireland, managed forestry for UK utilities, stocked steel in Zimbabwe, distributed and integrated software in the UK, designed and built satellite telephones in Denmark, and supplied paints and coatings for the world's ships from a base in Greece. But discussion of their common concerns created a bond that crossed national or sectoral differences.

Then there were the formal classes. Structured around case studies prepared the night before, the professors drew the participants into animated discussions based on entrepreneurs' own experiences. When the probing led to admissions of imperfect strategic thinking, unpolished negotiating skills or questionable costing procedures, the lesson was all the more powerful.

It was also harder work than many will have remembered since university days as this diary extract suggests.

Sunday. The programme starts after lunch with entrepreneurial management and the early days of Virgin Atlantic Airways. It focuses on founder Richard Branson's use of a low-cost entry route (leased aeroplanes), low-cost promotion (PR), and the value of creating loyalty (cheap salaries).

Bon Mots: Prof Don Muzyka concludes the day: think how you use strategy but also think how your competitor thinks about strategy.

Monday. We dive into competitive growth strategy based around Canon's capture of the photocopier market from Xerox. There is much hilarity when one classmate, now a directories publisher in London, recounts how he was in Xerox's strategic analysis department in London at the time Canon was devouring its market. A parting of the ways allowed him to start his own business. Neil Churchill, professor of entrepreneurship, addresses the idea of bootstrapping - growing a company with no cash. We are introduced to the way the maximum financeable rate of growth (Mifrog) of a company can be increased through better working capital control.

Bon Mots: If you run the risk of growing too quickly, never attempt to control sales by any means other than increasing prices.

Tuesday. We look at the management of entrepreneurial resources – cash and people. The session stresses the need to delegate responsibility while maintaining a grip through strong management control systems.

We move to a session on negotiation. Prof Ingemar Dierickx says the first objective should be to find out the other party's intentions, their limit (the point of indifference between concluding and not concluding a deal), their targets, alternatives and the extent of their knowledge. In the coffee break I call my builder and contravene almost every rule.

Wednesday. Deigan Morris, professor of accounting, utters a heresy for the financial accountants present. Five hundred years of double entry book-keeping, begun by Venetian monk Luca Pacioli, has provided managers with a discipline that may reflect historical events, he says. But this information is useless, even dangerous, when used to manage the future of a business. There follows a demonstration of the dangers of incorrectly allocating all central overhead costs to operating divisions. Of course, the class all know this. But many, perhaps most, are still breaking Morris's golden rule in their businesses by loading inappropriate overheads on to profit centres.

Bon Mots: Often when managers invoke "strategy" they mean 'I'm going to lose a packet but I want to do it anyway' – Deigan Morris.

Thursday. More management accounting, more misallocation of costs leading to more absurd decisions. Some customers, for example, demand a lot of attention and thus raise the overall marketing and support costs. If this cost is spread evenly across all customers, the most demanding clients will appear most profitable and therefore receive privileged attention. Thus begins "the doom loop" – more concentration on the most demanding customers.

Morris warns there will be opposition to these ideas because customers and products thought to be profitable will be revealed to be making losses and areas of the business thought to be cheap will turn out to be expensive.

Another session on negotiation focusing on how to avoid negotiations in which no one wins.

Bon Mots: Dierickx says successful negotiators must practise the noble art of losing face often, early and decisively. If this is forgotten, people faced with losing face or losing money will choose to lose money.

Friday. Thursday's dinner, a boisterous banquet, has taken its toll. Walking into class late I am prepared to "lose face decisively" only to discover a sea of similarly penitent faces. Larry Weiss, professor of financial accounting, gamely performs the impossible task of making financial ratios appealing. But our liquidity ratios are wrong and we fail the acid test.

Moving to key account management, Prof Charles Waldman's session highlights the importance of finding ways to differentiate products and demonstrates the impact on profitability derived from retaining customer loyalty.

Bon Mots: Quality of market share deserves as much attention as quantity of market share. The best customers should be those which through profitability or other measures deserve most special attention – not those that are necessarily the biggest ones.

Saturday morning. Another session on competitive growth strategy that revolves around pricing. Muzyka promises that if any of the entrepreneurs use their costs as a basis on which to set pricing (as opposed to an assessment of what the market will bear) he will "personally haunt their dreams".

The Owner-Directors' Programme clearly generated a wealth of ideas. Participants contacted a week after the course said their heads were still buzzing and that some of the simpler ideas were already being implemented.

Tony de Lacy, managing director of a I£20m distributor in Dublin described the week as a business retreat. "Being the managing director can be quite lonely and this gave me a real opportunity to talk to people who were in the same world," he said.

The test is whether the energy of the course will be translated into action – whether, as Muzyka says, the entrepreneurs will go back to their businesses and "pull the big levers". Time will tell. But by the time some participants are running out of steam or have run into the inevitable problems in carrying their colleagues with them, it will be time to recharge in the course's second week in October.

Food industry's healthy debate

Alison Maitland on criticism of the latest UK campaign

News of a £20m marketing and advertising campaign by the UK food industry to persuade consumers that British food is safe and healthy has run into criticism from industry observers and consumer groups.

Verner Wheelock, visiting professor of food science at Nottingham University and an industry consultant, says the campaign is "a complete waste of time".

Food scares like the beef crisis will continue to plague Britain until the industry adopts a positive approach to health issues, he argues.

He cites manufacturers' reluctance to cut salt in processed foods or to add folic acid to products for pregnant women to help prevent birth defects as examples of the industry missing the chance to improve its image.

The National Consumer Council agrees that "the food industry is reluctant to take the bull by the horns and lead on health issues".

Carmen Taboas, food policy officer, says the campaign appears to miss the broader questions raised by recent food scares about whether health problems are caused partly by production methods such as intensive farming. "It's intensive food production which concerns consumer groups, and whether the new technologies are safe," she says.

John Young of the independent Leatherhead Food Research Association believes the advertising campaign "won't make a jot of difference" because so many food scares are rapidly over. He suggests the campaign could even create unnecessary doubt in people's minds about safety. "I'm not so sure the consumer has a perception of poor quality of food anyway."

Wheelock says a proactive approach by the industry might not boost sales, but nor would it involve a huge advertising budget. "There are lots of little companies that are trying to take an ethical approach," he says, citing Baby Organix, the Dorset-based producer of organic baby foods which was set up in 1992 and now supplies leading supermarket groups.

Wheelock's work reflects his interest in health issues. One of his consultancies is with Klinge, a Scottish company that produces LoSalt, a salt substitute, and he is working for J. Sainsbury on developing "healthy" products.

He says the government declined to accept a recommendation from its own medical advisers 18 months ago that average sodium intake should be cut by 30 per cent. There were "strong suspicions this was under pressure from the food industry".

"With something like salt, it wouldn't be all that difficult for [the industry] to make some reduction across the board," he says. "They would have had a very positive story to put across about how they're seriously concerned about the health of the nation and are taking action to make a genuine contribution."

Wheelock says Heinz has gradually reduced salt in some of its products, testing this on consumer panels to find out when people taste the difference. "But rather than being positive, most of the industry has been very negative, trying to pick holes in the scientific evidence."

Fortifying flour with folic acid - important in preventing spina bifida in babies – is seen by some specialists as a helpful way of ensuring all women have enough in their diets.

Wheelock says this is an "ideal opportunity" for the bread industry. But the Federation of Bakers told a meeting last year that bakers would not welcome having to add folic acid to bread for the sake of a small proportion of women.

Supermarkets, which have to deal with consumers face-to-face, are very responsive to food scares, Young points out.

But trailblazing on health issues can backfire for manufacturers. He cites the case of MD Foods of Denmark, which ran into trouble with the Advertising Standards Authority over its claim that its Gaio yoghurt could cut cholesterol levels.

The ASA said this week that the strength of health claims made for some "functional" foods had begun "to raise complaints as well as eyebrows".

Buchanan: Man of the Match

Lynn MacRitchie finds football kicked off field into a Manchester art gallery

Arms behind their backs, the men in the photographs stare straight ahead. Their faces all wear the same expression – a little bashful, certainly, but also proud, proud to be having their pictures taken in the colours of their teams. For they are wearing football shirts, striped either red and black or blue and black, the colours of AC Milan and Inter Milan.

These players, however, are with neither of the great Italian sides. They are all amateurs, enthusiasts who spend their evenings and weekends playing with the local teams which gather on the municipal pitches of Glasgow, home town of artist Roderick Buchanan, who snapped them there in their borrowed colours.

"Work in Progress," 1993-94, one of the works to be seen in *Offside! Contemporary Artists and Football* at Manchester City Art Galleries, consists of 39 of these individual colour portraits. That is all. The concept is minimal – just rows of simple photographs, rows of faces, rows of red and black and blue and black stripes. And, as with most minimal art, it is necessary to read the captions, to have the information that these men are not what they seem, in order to fully understand the work.

This sort of device can be irritating, the conceit interesting for a moment and then quickly fades. But Buchanan's piece does not fade. Looking at the photos, the faces win the heart.

For Glaswegians, born connoisseurs of street style, Italy, home of sharp tailoring as well as dazzling football, has a transcendent significance. By wearing their Milanese shirts, these men become more than unknown players, anonymously kicking a ball about – they are identifying themselves with a country far from their humdrum surroundings, a place of culture, class and beauty.

Buchanan understands this, because he understands his subjects who pose so open-faced before the blue background he transported from game to game in an old van converted into a photographer's studio. He knows that, in their Milan dreams, when they kick the ball, they kick it as stars. All this can be seen at a glance, and understood: Buchanan's work has the quality of all good art, transcending its subject to speak directly to the viewer.

The reason for this may be found in the artist's personal involvement with football. "I never watched football until I was about 18," he told me. "I was always too busy playing it." Demand for his schoolboy playing skills meant that Saturdays often found him taking part in up to three separate games on those same municipal pitches which also form the subject of his second piece in the show, "Ten in a Million."

This consists of videos of local pitches in Manchester, Glasgow, Budapest and Nantes, shot by turning the camera through 360 degrees on the centre spot. Again the concept is minimal, but the technique allows the viewer to see the pitch and its surroundings as the players would see it, the scruffy surface, the views of drab housing or traffic roaring by next to scrubby trees, all looking remarkably similar despite their different settings. The ordinariness of the scene makes the sense of aspiration more palpable.

Like Buchanan, Mark Wallinger has been working with the subject of football for a number of years. Here, in two works created specially for the show, he puns on football names and terms to make larger, more universal points. "Man United" is a giant football scarf, twisting down from the ceiling in a parody of the DNA spiral which forms the motif of its red and black pattern.

In "vs", he has traced photographs from the sports pages of players engaged in struggle for possession of the ball, and left out the ball. Its omission emphasises the extraordinary contortions of the men's bodies, the black and blue tracings transforming the original images into an almost academic statement about the human body in motion, the painstaking cross hatching echoing the painful efforts of the players. Both pieces succeed, their punning titles emphasising their larger frame of reference.

As in all such themed shows, some of the work convinces and some does not. The work which succeeds always feels authentic, as if it is what the artists would have been doing anyway, while the rest has a tag-along quality, giving football a go just for the sake of it. Gabriel Kuri heaps up coconuts and yellow balls. Freddy Contreras studs Vivienne Westwood shoes with spikes – ouch – while Nick Waplington messes around with football cards, creating blown up photo portraits of Cantona, Ginola, Rosler and Klingsman which cruelly emphasise their every blemish to no understandable effect except to upset true fans.

Much more successful is the 90 minute video by Martin Vincent and David Macintosh "Bundesliga (One World Cup and Two World Wars)" which records a journey made to film the outside of the grounds of every club in the German first division. A near miss.

But for me, there was no doubt about it – Buchanan, who gave minimalism a heart to wear on the sleeve of its football strip, was indisputably Man of the Match.

Offside! Contemporary Artists and Football, Manchester City Art Galleries, Moseley Street, Manchester.until September 1. Organised in collaboration with the Institute of International Visual Arts.

Theatre/**Alastair Macaulay**

Wild Honey

Just as Jane Austen wrote too few novels, so Chekhov wrote too few full-evening plays. Michael Frayn's *Wild Honey*, however, (1984) is the next best thing. Frayn took it from *Platonov*, the sprawling great play that was discovered in a bank years after Chekhov's death, unperformed in his lifetime, about six hours in its entirety. Frayn pruned it, adapted it, made it stageworthy. The original production, directed by Christopher Morahan and led by Ian McKellen, was a triumph at the National Theatre.

The play is deeply Chekhovian in its drastic, even seamless, changes of emotion, in its moment-by-moment conjunction of tragic and comic views of life, and in the intense irony with which it shows how people can never control the events of their own lives. Of its four acts, the third and fourth, in particular, blend crazy farce with bleak despair in ways that are astonishing even after acquaintance of Chekhov's other work. Women keep tumbling demandingly into Platonov's arms, with him perpetually trying to keep each of them out of the way of the others', much as women do into Garry's in Noël Coward's *Present Laughter* – but both Platonov and they express a bleakness and violence of emotion that make this farce extraordinarily complex. The audience always wants to know what will happen next; but even more absorbing than the plot is what is happening in these characters' minds. Everyone onstage is an only too human symptom of the Russian provincial sense of the futility of life; Platonov and several other characters are staggering examples of the prevalance of alcoholism in Russia; and the most pathetic and hopeless characters are also the most attractive.

Back in 1993, when Alan Ayckbourn first announced plans for his new Stephen Joseph Theatre-in-the-Round in Scarborough, he expressed his plans to stage "the Chekhov cycle" in it; and the technical capacities of the new theatre might, conceivably, enable him one day to present all the major Chekhov plays in repertory. (The new theatre, after this first year of settling in, will start to present plays alternating in repertory next year.) It is curious, and good, that he has chosen *Wild Honey* as the first to direct in his new home. He takes it at a spanking lick. As a result, though there is too little sense of provincial ennui and something seems to be happening in every single moment, the giddiness of the farce works extremely well. And no director-playwright today could better relish the way that the comic situations in Chekhov's play keep rattling out of comedy and out of control.

There are some especially fine moments in this production. The very start of Act Two, as the horse-thief Osip recalls how once he came upon Anna Petrovna standing in the river, and how he kissed her, is beautifully played by Albie Woodington; his reminiscence, with its fervour of sincere desire, darkens the whole mood of the play. Mairead Carty has the physical radiance and the slightly precious sophistication of Sofya, Sergey Voynitzev's young wife and one of the women in Platonov's life. Simon Coury finely judges the ironic mixture of courteous affability and shockingly unprofessional unconcern of Doctor Triletsky. His scene of drunken incapacity, while news comes of a dying patient whom he is in no condition to help, is, in its funny/horrid way, one of the play's most ironic episodes. Richard Derrington cannot manage all of Platonov's difficult switches between suicidal despair and endearing helplessness; but he has his hopelessness and charm. Only Joanna van Gyseghem is altogether too superficial as Anna Petrovna – the most independent, vital, and unusual of Platonov's female admirers. The rather silly kind of heartiness that van Gyseghem finds in this character might work well in one of Ayckbourn's own plays, but Chekhov's characterisation needs more elegance and, in particular, a more lit-from-within quality.

It is good to see a play so alive as this played in the round, and good to see how Ayckbourn's new theatre only builds on the strengths of the old one. The stage area is the same, the audience area larger by a third, the technical features much improved. Areas front-of-house and backstage are all transformed. The former Odeon building, on whose opening last month Ian Shuttleworth reported on this page, also houses a new, second theatre – the McCarthy, where Alan Bennett's *Forty Years On* is now playing to 97 per cent capacity – and a cinema, which is expected to open in the next few weeks. One can now catch two plays in the two different theatres on consecutive nights; next year, when the repertory system commences in the Stephen Joseph Theatre, one will be able to see three plays on consecutive nights there. I hope to do so at the earliest opportunity. The news has it that Bulgarian footballers have rejected Scarborough; but for theatre-goers it looks more attractive than ever.

Stephen Joseph Theatre, Scarborough.

Richard Derrington (top) and David Timson in Alan Ayckbourn's new production

Theatre

Not quite cricket

It is good to see the Theatre Royal, Stratford East, putting on new drama by young writers who tackle subjects that strike close to home with the loyal local audience. On those scores we should welcome Roy Williams's *The "No Boys" Cricket Club*. What is not so good is to see the theatre mounting a new play by a young writer on a relevant issue that is so in need of several more drafts.

Williams' comedy focuses on Abigail, a middle-aged Jamaican woman living somewhere in London. Life has been a disappointment to Abigail. Her marriage has clearly lacked passion, her life in Britain has been one of hard graft, and she now struggles with her aggressive neighbours and fights with her children – Michael (Steve Toussaint), who has abandoned his own wife and child to move back home and push drugs to the local addicts, and teenage Danielle (Michelle Joseph), who brawls in the street with the local racists. Abigail sighs wistfully as she hangs out the washing, dreaming of her glory days back in Jamaica as a fearless girl and demon cricketer.

So when Abigail's childhood friend and fellow cricketer Maisie gets in touch, a bout of reminiscence seems likely. But Williams does not leave it there. He spirits the two characters back to Jamaica to have a sort of *Back to the Future*-style encounter with their younger selves.

The crazy, time-bending plot could be witty, but it is so stilted that it is more embarrassing than intriguing. The writing is television sitcom level, with uncomfortable gear changes into conflict or whimsy, and the characters are sketched rather than rounded. Faced with passages of dialogue like – "Pardon me": "I do Mum, that's the problem" – even the strong cast flounders. Indhu Rubasingham's direction is fluid and funny but hits the skids every time there is a confrontation because Williams' writing is not up to the situations he creates. The two lead actresses – Donna Croll as Abigail and Anni Domingo as Maisie are left carrying the play on quizzical looks.

There are some serious subjects at the heart of this piece – the problems of a generation who feel they are not at home in either one country or the other and the difficulties for them and their children – and there are some funny one-liners. that clearly hit the mark with the audience. But it emerges as an uncomfortable mix of whimsy and soap-opera.

Sarah Hemming

Theatre Royal, Stratford East, London E15 until June 22 (0181-534 0310).

Song at Sunset

The major trap for a one-person biographical show to avoid is beginning with the words "I was born . . ." Niall Buggy, as Sean O'Casey, circles the line for a couple of minutes whilst welcoming his audience, modulates it to an affable "I was born in, ah, 1880, I think it was," and proceeds to give a grandly oratorical account of his birth; but the poetry and personableness cannot conceal the fact that this is a pretty conventional chronological trot through the Irish dramatist's life.

Devised and directed by O'Casey's daughter Shivaun, *Song at Sunset* weaves biographical detail together with extracts from her father's plays and letters, and even a few songs. Yet, strangely, given the director's intimacy with the subject, the show feels somewhat distanced from O'Casey himself. Apart from a pair of little round glasses, no attempt at physical resemblance is made.

Buggy is at his best when the material takes a turn for the dramatic: acting out both parts in a dialogue between young Sean's mother and a minister from his school or scenes from *The Shadow Of A Gunman* and *Juno And The Paycock*, impersonating W.B.Yeats' famous speech to the rioting Abbey Theatre audience at a performance of *The Plough And The Stars* or reading in character a supportive letter from George Bernard Shaw. At other times, assiduously though he deploys his considerable skills to bring O'Casey before us as a real person, the script retains the flavour of third-person biography made explicit in its earlier passages.

We see the thread twisted through O'Casey's life of his problematic relationship with various strains of Irish nationalism and with the Saxon oppressors (he lived the second half of his life in England), we hear of the horrors of losing his father in childhood and his son in his last years, but all of these things are told – albeit with conviction – rather than shown. *Song At Sunset* is informative and entertaining in a "readerly" sort of way, but curiously fails to make its subject come alive.

Ian Shuttleworth

At Hampstead Theatre, London NW3, until June 22 (0171 722 9301).

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

CONCERT
Koninklijk Theater Carré
Tel: 31-20-6226177
● Schoenberg Ensemble: with conductor Reinbert de Leeuw and the Nederlands Kamerkoor perform works by Kagel, Boulez, Mason and Kurtág; 8.15pm; Jun 16
EXHIBITION
Van Gogh Museum
Tel: 31-20-5705200
● Van Gogh drawings, part I: each summer for the next four years the Van Gogh Museum will publish a volume of the catalogue of its collection of Van Gogh drawings. To mark each publication, a summer exhibition will be held. The first exhibition in the series is devoted to the period from 1880 to 1883; to Sep 15

■ BARCELONA

THEATRE
Teatre Lliure Tel: 34-3-2189251
● Lear or an Actrice's Dream: play based on Shakespeare's King Lear, directed by Ariel Garcia Valdés and performed by the Compania Teatre Lliure (in Spanish). The cast includes Jordi Bosch, Eduard Fernández, Lluis Homar and Anna Lizaran; 9pm, Sun 6pm; to Jun 23

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Berliner Philharmonisches Orchester: with conductor Kurt Masur and violinist Viktoria Mullova perform works by Mendelssohn and Dvorák; 8pm; Jun 18, 19, 20
DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Undine: a choreography by John Neumeier to music by Hans Werner Henze, performed by the Ballett der Deutschen Oper Berlin. Soloists include Renzi, Cullum, Katsumata and Alvarez; 7.30pm; Jun 17

■ BOLOGNA

OPERA
Teatro Comunale di Bologna
Tel: 39-51-529901
● Tristan und Isolde: by Wagner. Conducted by Christian Thielemann and performed by the Teatro Comunale di Bologna. Soloists include Heikki Siukola, Gabrielle Schnaut and Anne Gjevang; 7pm; Jun 15, 18

■ HOUSTON

EXHIBITION
Contemporary Arts Museum
Tel: 1-713-526-0773
● Richard Long: Circles Cycles Mud Stones: British artist Richard Long is renowned for his meditative walks which inspire his creation of artworks that evoke the surrounding landscape. For this presentation Long has created four works composed of regional materials, such as Santa Fe brick and Texas limestone; to Jun 30

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● LSO Chamber Ensemble: with pianist André Previn perform works by Mozart, Beethoven and Mendelssohn; 7.30pm; Jun 18
St. John's, Smith Square
Tel: 44-171-2221061
● The Grove Ensemble: with conductor Mark Isherwood perform works by Frank Martin and Orff; 7.30pm; Jun 15
Wigmore Hall Tel: 44-171-9352141
● Members of the Berliner Philharmonisches Orchester: and pianist Imogen Cooper perform works by Louise Farrenc, Brett Dean and Schubert; 7.30pm; Jun 15
EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Marlene Dumas: exhibition of works by the Dutch artist structured around three main themes: The Absent Lover, The Perfect Lover and The Daughter. The display includes large multi-part drawings of the heads that are also a central feature of many of Dumas' paintings; to Jun 30

■ LUBECK

CONCERT
Musik- und Kongresshalle
Tel: 49-451-7904115
● Montserrat Caballé and Montserrat Martí: concert on the Holstentorplatz. The sopranos perform highlights from operas, accompanied by the Rheinische Philharmonie with conductor José Collado; 9pm; Jun 18

■ MADRID

CONCERT
Fundación Juan March
Tel: 34-1-4354240
● Víctor Ambros and Graham Jackson: the violinist and pianist perform works by Vivaldi, Mozart, Brahms and Stravinsky; 12noon; Jun 15

■ MOSCOW

EXHIBITION
State Pushkin Museum
Tel: 7-095-2036974
● The Treasure of Troy: exhibition of some 260 gold and silver objects, excavated by the German archeologist Heinrich Schliemann in Turkey in 1873. It was Schliemann's belief that these objects, including diadems, rings, necklaces and goblets, once belonged to the Trojan king Priamos, but later research has proved this to be untrue; to Apr 1997

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Come Sunday: Photographs by Thomas Roma: this exhibition of a new series of photographs by Thomas Roma (b. 1950) features approximately 80 black-and-white photographs made between 1991 and 1994. The exhibition is drawn from a larger body of photographs made during more than 150 services in 52 African-American Christian churches in Brooklyn; to Jun 18

■ OSLO

DANCE
Norske Opera Tel: 47-22-429475
● Diaghilevs Ballets Russes: a choreography by Ulf Gadd, performed by the Norwegian National Ballet; 7pm; Jun 14, 15 (6pm)
EXHIBITION
Munch-museet-The Munch Museum Tel: 47-22-673774
● Edvard Munch. Prints from 1896: exhibition of a selection of 131 prints by Edvard Munch from the year 1896, which he spent in Paris. In the workshops of August Clot and Lemercier a number of the artist's most well-known graphic works were printed, including "The Sick Child" of which 18 different versions are shown; to Oct 1

■ PARIS

EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● Picabia 1922: this exhibition is a reconstruction of the exhibition organized by Francis Picabia, one of the pioneers of Dada, in the Galerie Dalmau in Barcelona in 1922. The display shows some 30 works, including gouaches and watercolours; to Jun 30

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Myung-Whun Chung perform Schubert's Symphony No.8 in B minor (Unfinished) and Mahler's Symphony No.1 in D major; 8.30pm; Jun 15

■ VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Manon: by Massenet. Conducted by Daniel Oren and performed by the Wiener Staatsoper. Soloists include Leontina Vaduva, Keith Ikaya-Purdy and Kurt Rydl; 6.30pm; Jun 15, 18

■ WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● In the Light of Italy: Corot and Early Open-Air Painting: the achievements of the international group of painters who assembled in Rome and southern Italy at the end of the eighteenth century and the early years of the nineteenth century are represented by about 120 paintings; to Sep 2

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tokyo String Quartet: perform works by Smetana and Beethoven; 7.30pm; Jun 16

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Financial Times Business Tonight

Philip Stephens

Put it to the vote

The Eurosceptics may be right. Perhaps it is time to test Britain's commitment to the EU by a referendum

Bill Cash is right. There is a case for a referendum on Britain's place in Europe. The issue paralyses the nation's politics. After two uncomfortable decades, perhaps the voters should be asked to reconsider whether Europe ends at Calais. More than that, Tony Blair could make such a plebiscite a first act of a Labour government.

No, I have not been experimenting with illegal substances. Nor have I succumbed to the blandishments of Sir James Goldsmith, the billionaire-turned-politician who now leads the Referendum party. Poor Sir James. I suspect he would happily hand over his entire fortune if only we would take him seriously. But he is a child in the grown-up world of politics, a would-be nationalist in frantic search of a nation.

Enough. Before some of my regular correspondents reach for the green ink, there is a serious point here. And it does not matter which side of the argument you are on. In crystallising the debate into one of Britain "In" or "Out", the Eurosceptics have made an important strategic error.

Here is why. As long as the argument is about the intrusiveness of Brussels, the sceptics hold the initiative. The British have never liked the idea of foreigners delving into what Douglas Hurd calls the nooks and crannies of their national life. Talk about majority voting, the European Court of Justice or the role of the Commission and pro-Europeans always start with a disadvantage. The more so in the present age of disdain. The voters are contemptuous of politicians and of political institutions. It is not hard to deflect some of their ire towards Europe.

But once the issue is reformulated into whether Britain should actually detach itself from its partners, the pendulum swings strongly in the other direction. You do not have to like being part of Europe to understand that it is better than the alternative.

Since the last referendum on the issue in 1975, neither government nor opposition has consistently put the case for engagement. Yet the voters have barely wavered in their support.

Even now, at the height of John Major's absurd beef war, that position holds. For several weeks the press has been awash in rancid xenophobia. Yet, consider the Gallup poll published this week in the Daily Telegraph. The headline declared rather curiously that the mood of the country was turning against Europe. But when asked whether Britain should get out, some 57 per cent said they were "sure" they would vote to stay in. The remaining 43 per cent would "probably" vote to leave, but even among that minority there were doubts. A mere 19 per cent favoured complete withdrawal.

The clever sceptics see the danger in this. Privately, some will admit that quitting the EU is the ultimate objective. But they know it is too soon to win that argument. Much better to engineer a succession of crises on which to gradually build the foundations for withdrawal. Thus they pull back, dissociating themselves from Sir James and his friend Mr Cash. Much better to keep the focus to narrower objectives such as ruling out participation in a single European currency or leaving the common fisheries policy. The pretence is that Britain can opt out of the difficult bits of Europe and remain a member of the common market it joined in 1973.

> The tired canard that Britain joined a free trade area only to find itself unwittingly entangled in a political alliance is belied by a cursory glance at history

But events are moving on. The tired canard that Britain joined a free trade area only to find itself unwittingly entangled in a political alliance is belied by even the most cursory glance at history. Take the words of Margaret Thatcher.

Before the 1975 referendum she delivered an eloquent exposition of the case for membership. It is a speech deserving of a wide audience. The then leader of the Conservative party was unequivocal: "The paramount case for being in is the political case for peace and security." Lest anyone doubt that politics came ahead of economics, she added: "The Community opens windows on the world for us which since the war have been closing."

The "In" or "Out" argument also gives more contemporary clarity and coherence to the pro-Europeans. No need now to explain the intricacies of the Maastricht treaty. The big picture turns the issue into a straightforward assessment of the national interest, economic and political. Business at last is waking up to that reality. So too are those in the Tory party who have been content hitherto to allow Kenneth Clarke, the chancellor, to stand alone in defence of Europe.

Of course, the sceptics will produce all sorts of spurious statistics and assumptions to suggest that Britain might have prospered more outside the EU. And it is indeed impossible to prove beyond all doubt that the nation has gained economically from membership. The truth is there is no reliable science in the world of "what if".

But reason and everyday experience tells the voters that to leave now would be to sacrifice prosperity on the altar of misplaced pride. In a referendum campaign, the distinction could be drawn again between nationalism and patriotism. Business has been Europeanised. Inward investment is inextricably tied to Britain's place in Europe. Companies know how dependent they are on the single market. They would not be slow to tell their employees that their jobs depended on membership. In short, a referendum would result in an overwhelming "Yes". The sceptics would be routed.

None of this, of course, is any comfort to Mr Major. The sceptics on the Tory backbenches have not had a good week. The disclosure that Mr Cash's European Foundation was taking money from Sir James, the leader of a rival party, was a serious blow. Most Conservatives do not approve of disloyalty.

For all that, a moment of reckoning is approaching. No-one can be certain of the outcome of the beef war. Cabinet colleagues, though, say the prime minister has decided that he needs a deal at or before next week's EU summit in Florence. To allow the issue to fester would be to give sustenance to the sceptics. So Mr Major is looking for a piece of paper in Florence to cover the reality of defeat. Lady Thatcher's intervention yesterday was a reminder that, whatever he brings back, Mr Cash and his friends will seek an opportunity for revenge.

That takes us back to Mr Blair. So far he has framed his European policy in the luxury of opposition. It is infused alternately with enthusiasm and political cynicism. Thus if Mr Major strikes a deal on beef, Mr Blair might seek an alliance with the Tory sceptics to defeat the government. In government, though, Labour would be obliged to confront the real world, to sign a new treaty on European integration, to decide, perhaps, to join a single currency. The Labour leader would be forced then to swim against the nationalist tide. If he wins, he should think hard about a referendum.

LETTERS TO THE EDITOR

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Shipyard's bankruptcy poses threat to Polish credibility as exporter

From Mr Henning Oldendorff.

Sir, I refer to the bankruptcy declaration of Gdansk shipyard, which is also affecting our two newbuilding contracts at that yard ("Gdansk shipyard closure condemned", June 13).

The shipping community is shocked that the Polish government has actually arranged for its own state-controlled entity to go bust by voting in favour of bankruptcy at the meeting of shareholders on June 8.

Being the majority shareholder of the yard, the government has officially announced that it intends to "rehabilitate the firm through bankruptcy". We find this statement quite remarkable.

The Polish government has effectively decided not to honour contractual export obligations worth around $850m.

In fact, the latest development may well affect Poland's international credibility as an export nation that last year increased total exports to some $23bn.

It is naive to think that a new Gdansk shipyard can rise phoenix-like from the ashes and secure fresh orders. Shipowners will not be queuing up with profitable orders after the bankruptcy. There is also no incentive for owners with existing orders at the yard to renegotiate their contracts in the vague hope that, this time, they will be honoured. There will be no intermediate financing available from the banks, and suppliers will ask for cash in advance.

There is now a considerable loss of confidence in Gdansk shipyard which will be able to book fresh contracts only at heavily discounted prices and unfavourable payment terms – if at all.

In fact, we have serious doubts that Gdansk shipyard could emerge again as a viable and competitive entity after the work in progress is completed.

After what we have experienced with the incompetent management of Gdansk shipyard, we strongly urge shipowners to think twice before placing additional newbuilding orders in Poland.

Henning Oldendorff,
managing partner,
Egon Oldendorff,
PO Box 2135,
D-23509 Lubeck,
Germany

Bart's superficial Coppélia

From Mr Ciaran O'Hagan.

Sir, Bravo for Clement Crisp's perceptive review of Patrice Bart's interpretation of *Coppélia* (June 1/2). Patrice Bart has tremendously enhanced classics in recent years through his astute choreographic direction, notably in a Freudian *Swan Lake* and in *Giselle* as a study of madness. But this *Coppélia* has little of the artistic grandeur or intellectual depth of these modern classics. Gone is the development of plot and character, gone the humour. Gesticulation replaces mime, and art drowns in a superficial modernism.

Oussama Himani (Letters, June 9) misses the issue: at stake is not the liberty we give a nascent choreographer to experiment, but the number of ticket holders wanting to sell back their tickets to the tourists. Most unusual for a Paris Opera ballet.

Ciaran O'Hagan,
15 allée des Hetres,
93340 Le Raincy,
France

Russia's problems will not be resolved by extremes

From Mr David Johnson.

Sir, The Financial Times has carried diverse opinions as to the respective merits of President Boris Yeltsin and his opponents. Some rather harsh judgments have been pronounced on the entire cast of Russian political figures. The strongest criticism, however, has been directed at the Communist leader Gennady Zyuganov. A number of observers, including Anders Aslund (Personal View, May 31) – former economic adviser to the Yeltsin administration – maintain that Zyuganov's economic programme would return Russia to the dark ages of failed centralised economic planning and a wholesale assault on private ownership and the market economy.

I would like to suggest that much of the attack on Zyuganov – however well intended – seems overstated and driven in large part by the imperatives of election-year campaigning. There is no pattern set in the stars as to how a large country like Russia with some unique traditions should go about developing its economic future. If there is one thing that Russians seem to agree upon it is that there should be some step back from the wild, demoralising economic situation that so many Russians have found themselves in. There will be a greater role for the state, if only in the mode of Franklin Roosevelt's efforts to cope with depression conditions. The privatisation programme in Russia is replete with criminal abuses and economically unsound actions.

The whole educational, scientific and research side of Russian society (the core of the potential for a better future) is in a shambles and needs repair. I could go on and on but the point is that those who speak with so much certainty about the "right" path (Gaidar, Chubais, and, yes, Yeltsin) versus the "wrong" path (just about every past opponent of Yeltsin but certainly Zyuganov today) had better take a course in humility and stop trying to act as if they have the keys to the kingdom.

David Johnson
research director
Center for Defense Information
Washington DC,
US

Cryonics looks to the future

From Mr John de Rivaz.

Sir, In "A pox on the planet" (June 8/9) Joe Rogaly says: "We may ponder whether cryogenics may save our billionaires for posterity."

Cryogenics is the general science of low temperatures. "Cryonics" is the science of freezing terminally ill people, as soon as legally acceptable, for revival by "future" technology. Because a lot of people involved with cryogenics are only concerned with what is possible by "present" technology, they do not wish to be associated with cryonics and its reliance on future technology for the second half of the process. This is why there are different names.

There is no reason why billionaires need be singled out as being possible customers. The Cryonics Institute charges $28,000, payable at the time of death (plus $6,000 transport from the UK via Albin & Son, a London firm of funeral directors). This is often met by life insurance that costs no more per month than any other activity of ordinary people.

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Europa · Sergio Romano

Prisoner in a vicious circle

The Italian PM has very little room for manoeuvre as he tries to achieve the Maastricht criteria

Convinced of the case for Italian membership of the single currency: Prime Minister Romano Prodi (centre) with cabinet heavyweights Beniamino Andreatta (left) and Carlo Azeglio Ciampi

Like every new Italian prime minister, Mr Romano Prodi has had to ask both houses of parliament for a vote of confidence in his government's programme. But between speeches he found time to visit Bonn to explain his plans and obtain a vote of confidence from the German chancellor.

Mr Prodi knows that Italy will not be allowed to re-enter the European exchange rate mechanism until its partners – and Germany in particular – are convinced that his government can put its public finances in order.

The Bonn trip is another example of how a nation's sovereignty in the last resort depends on the state of its public finances. The Anglo-French expedition to Suez in 1956 failed when the US made known it was no longer willing to underwrite sterling. The French veto against Britain's joining the EEC and the Gaullist polemic against the dollar were dropped when France needed the support of the major economic powers, after the unrest of 1968.

But the visit to Germany also revealed that Mr Prodi believes more strongly in Europe than his recent predecessors. The government of Mr Silvio Berlusconi in 1994 paid only lip service to the Maastricht treaty.

Last year, the government led by Mr Lamberto Dini espoused a more pro-European orthodoxy. But it was forced to devote time to winning the support of the unions for measures that were inadequate to meet the Maastricht criteria.

Mr Prodi, on the other hand, believes in the European Union created by the Maastricht treaty and is convinced Italy cannot allow itself to be excluded from economic and monetary union. Just as convinced of this are some of the heavyweights in his cabinet, such as Mr Carlo Azeglio Ciampi, the former premier and governor of the Bank of Italy who has the treasury and budget portfolios, and Mr Beniamino Andreatta, the economist who is defence minister.

Thus under Mr Prodi, Italy once again becomes – at least in theory – one of the most enthusiastic and diligent members of the EU. This explains why the European Commission has been so pleased to see this government emerge.

But Mr Prodi's European commitment entails tough and coherent financial measures if Italy is to meet the economic convergence criteria for joining the monetary union in 1999. To reach the budget deficit target of 3 per cent of gross domestic product by the end of 1997 it will have to more than halve its deficit. That means cutting public spending or raising taxes to reduce the deficit by up to L80,000bn ($52bn).

There are two big obstacles. The first is the Northern League of Mr Umberto Bossi which is refusing to support the government. The second is Reconstructed Communism, formed from the hardline wing of the old Communist party which is backing the coalition but does not subscribe to its pro-European programme.

For the moment Mr Prodi can do without the league in parliament; but he cannot ignore Mr Bossi's electorate and the recent league-sponsored tax revolt, which is strongest in the Veneto, Italy's most dynamic region. In the election campaign, Mr Prodi's advisers indicated the government would have to increase fiscal pressure to stay at the heart of the EU. But today such a policy appears both difficult and dangerous given the fiscal revolt in the north-east.

Although Reconstructed Communism is opposed to any cuts in social spending, Fausto Bertinotti, its leader, is unlikely to bring down the government which he helped form. But the party could put pressure on the leftwing parties in the government to soften Mr Prodi's austerity plans.

Mr Prodi will explore other options to meet the Maastricht criteria. Above all he will try to modernise the public administration which provides Italians with such poor service.

There are many reasons for this: civil servants are badly distributed round the country. Too few are in the north, where the bulk of economic activity is located, and too many are in the south where much of the administration is recruited – everyone wants to work close to home.

Productivity is low because civil servants have traditionally worked hours that allow a second job in the black economy. Governments have been reluctant to trim numbers and costs. And employees are difficult to manage because they can challenge any sanction in administrative tribunals.

If Mr Prodi can create a little more mobility among public employees, raise their efficiency and prune a few dead branches (there are 300,000 surplus teachers), he will obtain two benefits. Public spending will decline and he will win the sympathy of many who voted for the Northern League.

However, he will meet resistance from the unions, which dislike the idea of calling for sacrifices that directly affect a sizeable proportion of their members.

Thus Mr Prodi will also try to reduce tax evasion to raise revenue. The problem of evasion – especially in the richest regions – is that it is inextricably bound up with Italy's tax levels, among the highest in Europe. To persuade the Italians to pay their taxes, the government will have to reduce the overall level of taxation. Yet this cannot be done until the Maastricht target for the public deficit has been achieved and an efficient bureaucracy is in place.

Mr Prodi is thus a prisoner. He wants Italy to be at the centre of the EU and is aware of the sacrifices needed for this. But he cannot cut public spending without antagonising Reconstructed Communism; and he cannot impose new taxes without further antagonising the electorate in the north-east which supports the Northern League. He cannot shake up the civil service without taking on the unions and he cannot fight tax evasion without reducing tax levels.

Mr Prodi's main hope is that interest rates will decline and thus ease the cost to the public finances of servicing Italy's debt. Yet here he must come to terms with the Bank of Italy which will reduce interest rates only when it considers the government has inflation under control.

He has four months to break out of this vicious circle. In this time he must produce a mini-budget, present a three-year macro-economic programme and submit the 1997 budget to parliament. In October we shall know whether he has won or lost his battle.

The author is a historian and columnist for La Stampa, the Turin daily newspaper

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Perversion of the Internet

Many people dislike the fact that large quantities of pornographic material are now available on a global network at little or no cost. But trying to ban indecency on the Internet, as the US Congress has done, is quite another matter.

As history has shown, attempts to censor lewd material are less and less successful as societies become more democratic and communication easier. Laws which block up one source of pornography cannot prevent it from welling up somewhere else in response to market demand. The Internet is a cheaper, quicker and more open medium than the world has ever known. Moreover it is the first means of communication and publishing to vault across frontiers and national laws. It is therefore much more difficult to control than traditional publishing.

So even though some 60 per cent of the material now flowing round the Internet originates in the US, any attempt by that country to frustrate the free flow of material would have little practical chance of success.

On Wednesday, three judges in Philadelphia found a more powerful objection. They ruled that the Communications Decency Act, passed by the US Congress in February, should not be allowed to operate because it conflicted with the US constitution's guarantee of free speech.

This ruling is particularly welcome because of the vagueness of the Act. It was intended to prevent the distribution of "patently offensive" material to children, as if there were a universal consensus as to where that line should be drawn. The inglorious history of censorship shows that a consensus about what should or not be banned is elusive even in cohesive communities sharing a common religion. But the Internet embraces some 50m people in 160 countries. It thrives on differences of opinion and still retains some of its original character as a vast forum for the exchange of academic information and ideas.

Some regimes will consider many of these ideas to be patently offensive. Let such dissidence thrive. Tyrannies such as Nazi Germany and Stalin's Russia would have faced greater difficulties if the truth about their crimes had been more widely known. Authoritarian countries, including many Arab states, recognise this danger. They control access to the network and filter out "unacceptable" material. But as the cost of telecommunications and computers falls, such restrictions become harder to enforce.

Freedom to titillate is a small price to pay for freedom to argue. In any case, programmes will soon be developed to allow users to create their own filtering devices, to block off "offensive" material from specified information providers. Then censorship will be truly democratised. Meanwhile, the Internet, expanding with the vigour and brashness of an unruly adolescent, offers unprecedented possibilities for improving global understanding. To achieve this, it needs freedom.

Risky business

The Helms-Burton Act, which authorises private US court actions against foreign companies doing business in Cuba, has been rightly condemned worldwide as misconceived. It has antagonised important US allies and jeopardised free trade, while handing a domestic propaganda weapon to the Castro government, against which it is ostensibly directed. The US now needs to recognise that such efforts to impose its laws on the rest of the world put its own economic interests at risk. It is time for US business leaders to drive that message home.

The act has prompted plans for retaliatory legislation by Canada, which already allows its companies to ignore extra-territorial US court rulings. Mexico is studying legal measures to protect its commercial interests. Britain, meanwhile, is dusting off a 1980 law which entitles UK companies to counter-sue against punitive damages awarded by foreign courts. There have been hints that other European Union members, and perhaps the EU as a whole, may adopt similar legislation.

The impetus behind these measures has been increased by fears that Helms-Burton may soon be followed by other US laws which pander to domestic political constituencies at trade partners' expense. Most immediately, there is draft legislation in both houses of Congress which would penalise the US operations of non-US companies trading with the oil industries of Iran and Libya.

So far, the counter-measures planned by US trade partners are largely defensive. But if legislators in Washington fail to heed the warning signals, there is a serious danger that a spiral of increasingly aggressive international retaliation could develop. Such a confrontation would create no winners: the economies of all involved would suffer.

The US business community has a particularly strong reason to want to avoid such a disastrous outcome. With more than $600bn in overseas assets, a quarter of the world's stock of foreign direct investment, it has much at stake. It also has the power to make itself heard in Washington. Yet US business leaders have so far played a conspicuously low-key role in the debate.

It is in their companies' interest that they should now speak up. They should urge President Bill Clinton to exercise his prerogative to waive the most damaging provisions of the Helms-Burton Act before they take effect in August. They should also press him to veto the Iran-Libya bill, and any similar legislation emerging from Congress.

Mr Clinton has good reason to listen. More than any previous president, he has emphasised the importance of exports and overseas investment to US prosperity and employment. He should be the first to appreciate how much is at risk.

Small steps

The proposals contained in the UK government's third white paper on competitiveness, released yesterday, pass one important test. They will do little actively to harm UK companies' chances of competing more effectively at home and overseas. This marks it out from many previous misadventures in this area. Whether it will do very much good is another matter.

A few of the ideas announced by Michael Heseltine were both new and sensible. Combining support for small and medium-sized businesses into a single budget, with a large chunk allocated on a "challenge" basis, ought to cut down on the present duplication of support services. It should also help local groups to tailor the support to local companies' actual needs.

Yet, by and large, the paper is a hotch-potch of the previously announced and the "to be discussed". Mr Heseltine promised, for example, to consult on whether large companies should be required to publish not merely their policy on payment of bills, but actual performance. While no panacea, this might go some way towards shaming companies into paying up promptly. But the possibility has in fact been under government review for some time. Further inaction runs the risk of building support for legislation granting statutory right to interest on bills, which Mr Heseltine has rightly resisted.

Action to remedy the UK's deficiencies in education and skills is even more urgently needed as the government's own skills audit, published alongside the white paper, showed. Yet there was little in the document to suggest that the government would try harder to make its policies work.

A separate report from Ofsted, the schools inspectorate, on the state of England's new school-based General National Vocational Qualifications (GNVQs) brought home the shortcomings of the present system.

In a damning verdict on the assessment and monitoring regime for GNVQs – which are supposed to be Britain's answer to Germany's high quality vocational education – Ofsted reported "major weaknesses" undermining confidence in the quality of the new courses.

There is no excuse for this. It is not lack of student enthusiasm for new vocational courses which is to blame. The response to GNVQs has been impressive, with more than 200,000 students now taking courses across 14 vocational areas.

It is up to the government to ensure adequate assessment. Without this, the reputation of GNVQs will plummet, and yet another attempt to promote vocational education in England will founder, hurting employers needing skills and people who wish to acquire them.

Soothing words from Mr Heseltine about "improved standards of living and quality of life for all" can only go so far.

A heavyweight makes his stand

Boris Yeltsin believes he will be re-elected president in the first round of voting and many fear his reaction if he is not, says **Chrystia Freeland**

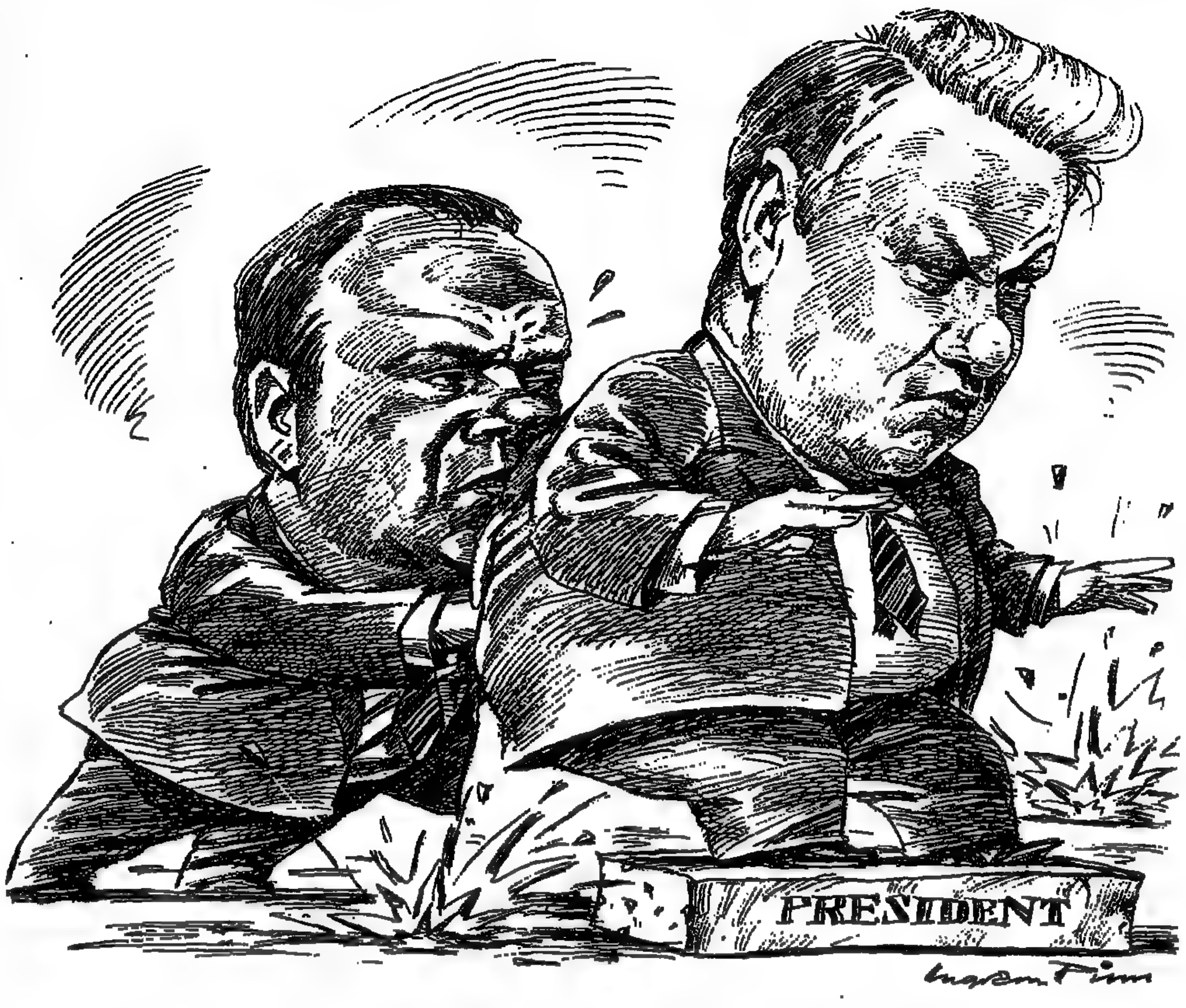
Two days before the first democratic election of a national leader in Russia's history, the country is divided, in the words of one Muscovite observer, between fear of the present and fear of the past.

Mr Gennady Zyuganov, the communist candidate, is campaigning on fear of the present and, in a nation which has lost 50 per cent of its economy and most of its empire over the past five years, that is a formidable ticket. But President Boris Yeltsin, who trailed his communist rival by 20 per cent at the beginning of the year, has vaulted to the lead in opinion polls by reminding voters that there is also much to fear in the return of the repressive communist past.

The apparent re-awakening of many of Russia's grimmer memories of the Soviet era owes much to Mr Yeltsin's bravura political performance.

At the age of 65, the Kremlin chief has already exceeded his country's average male life expectancy by six years. He suffered two heart attacks last year and has a reputed fondness for vodka. But he has hit the campaign trail with remarkable vigour, doing the twist with delighted teenagers on the streets of the southern city of Rostov-on-Don; going down a coal pit in the Arctic town of Vorkuta; and outwitting Chechen separatists with a carefully planned flying visit to the heavily fortified Russian military base at the airport outside Grozny, the Chechen capital.

Mr Yeltsin has also perfected the political art of being all things to all people. He has won back most of the country's disgruntled liberals – and strongly undermined Mr Grigory Yavlinsky, the presidential candidate and leading figure in Russia's democratic opposition – with a bold reform programme that calls for everything from more rape crisis centres to enhanced rights for minority shareholders.



But while the president has made the dangers of a hardline communist comeback the unifying theme of his campaign, he has also unblushingly adopted many of the symbols and practices of the Soviet regime.

On May 9, when Russians celebrate the anniversary of their victory in the second world war, Mr Yeltsin stood on top of the Lenin mausoleum to review a military parade which could have goose-stepped out of the 1970s – complete with the red communist banners, adorned by a hammer and sickle, which many observers thought had been consigned to the dustbin of history when the Soviet Union collapsed in 1991.

More worryingly, in the view of some liberal activists, Mr Yeltsin has also skilfully deployed many of the political techniques he learned in a communist career which took him all the way to the politburo. The mass media, including the one privately-owned national television station which had built up a reputation for independence, have become untiring cheerleaders for the presidential team; they lead news programmes with stories like "Why there will be civil war if the communists win".

Mr Yeltsin's campaign members privately admit to planting fake scare stories about the communists in compliant newspapers and to leaning on everyone from pollsters to astrologists to come up with predictions in the president's favour.

Mr Zyuganov and the nation's 550,000 card-carrying communists have produced a surprisingly flaccid response to the Kremlin's fierce attack. The communist challenger began the campaign from a starting position any politician would envy: on average, Russians earn less today than they did four years ago; in Chechnya, the nation is embroiled in its bloodiest conflict since the second world war; and the government is widely seen to be corrupt and mendacious. In addition, Mr Zyuganov leads Russia's only well organised, national political party, which re-established itself as a major political force when it came out on top in parliamentary elections in December.

In spite of these advantages, Mr Zyuganov and his comrades seem to have failed to woo the younger voters whose support helped to bring communists back to power in many of the neighbouring states of eastern Europe.

Mr Yegor Gaidar, a former prime minister who was architect of Russia's first market reform effort, has described the communist economic programme as "the longest and least funny joke in history". And many voters seem to agree that communist promises to erect trade barriers and heavily subsidise domestic industry would bring a return of the empty shop shelves and hyperinflation which plagued Russia in the early 1990s.

Mr Zyuganov's apparent inability to extend his support beyond the middle-aged blue-collar workers and rural Russians who have suffered most in the economic upheaval of the past five years has pleased the Russian business community, which is now confidently predicting a Yeltsin triumph.

But, while this week's opinion polls continued to show Mr Yeltsin comfortably ahead of his communist rival, Russian pollsters are warning against a premature declaration of victory.

"In the provinces, a sense of euphoria, of victory is taking over some of the Yeltsin teams. In my opinion, this is premature," says Mr Mikhail Gorshkov, director of the Russian Independent Institute of Social and National Problems, a Moscow think-tank. Mr Yeltsin's ferocious media campaign, furthermore, may be triggering a backlash. "We are seeing the Yeltsin overdose effect. This is what happens when all-out propaganda, especially on television, begins to irritate the electorate," says Mr Gorshkov.

But this sceptical attitude appears to have little currency at the Kremlin. Some politicians are warning that Mr Yeltsin's apparent certainty that he will win on Sunday could have dangerous consequences over the next few weeks. According to Russian electoral law, a presidential candidate can win in the first round of polling only if he attracts more than 50 per cent of all votes cast. If no candidate wins an absolute majority, the top two contenders face each other in a run-off expected to be held between three weeks and a month later.

With 10 candidates on the ballot, and an expected score for Mr Zyuganov alone of at least 20 per cent, most analysts predict that the communist leader and Mr Yeltsin will go on to a second round.

But Mr Yeltsin seems to be of a different opinion. In a television interview this week, the president said that his intuition and his private pollsters assured him that he would win an outright victory in the first round. A member of the president's campaign team says that Mr Yeltsin is equally emphatic in private. "Boris Nikolaevych really does think he'll be re-elected this Sunday. We are afraid even to use the phrase 'second round' in his hearing," a leading figure in the campaign said.

Few dare to predict his reaction if Sunday's results disappoint him, especially if Mr Zyuganov wins more votes.

A strong performance by Mr Zyuganov could fracture the president's fragile electoral coalition, particularly in the provinces where local officials might give in to their pro-communist instincts if they sense that the party has a real chance of winning.

Over the past few months, the Kremlin leader has largely heeded the advice of his liberal faction of supporters, who have orchestrated his clever campaign. But if Mr Yeltsin wakes up on Monday to learn that their counsel has produced less glorious results than he expected, he may be tempted to turn to his hardline cronies.

Since last autumn, many of them have been urging the president to call off the elections altogether, a proposal which was tentatively aired in April when Russia's top business people issued a public appeal for a "compromise" between the communists and the Kremlin.

Last month, General Alexander Korzhakov, the president's chief security guard and favourite sauna companion, suggested that the elections should be postponed. Mr Yeltsin publicly upbraided his friend, but many of his liberal campaign advisers are afraid that if on Sunday the president does not do as well as he expects he may decide that Gen Korzhakov was right after all.

These forebodings may be natural in a country which has never before freely voted for its national leader, and which is still acutely uncomfortable with the clash of rival political, economic and ideological interests that democratic elections are all about.

Divided as they are by fear of the past and fear of the present, Russians will on Sunday be united in their fear of the immediate future. If the country can find the courage to master this final fear, and to abide by the verdict of the ballot box, then no matter who comes out ahead in Sunday's poll Russia will have undergone a democratic revolution.

· OBSERVER ·

My word, your bond

■ Wall Street can be relied upon to think of a way of spinning money out of more or less anything. The latest wheeze involves pairing New York City and a particularly uncreditworthy section of the populace and coming up with – a marketable financial instrument.

Morgan Stanley, the investment bank, is the originator of the – rather politically incorrect – notion of Deadbeat-Dad-bonds (DBDBs). These are instruments that would be issued by the city and backed by the assets of feckless parents – mothers are presumably not excluded – who were not coughing up child support on time. NYC officials are studying the proposal.

Bonds backed by credit card receivables and the like are reasonably common currency in the arcane world of Wall Street finance. For a change, the new gizmos would be backed by court judgments against the dads and mums, which would be placed in a trust. Sundry assets – homes, bank accounts, salaries – could then be seized, as the need arose.

Far-fetched? Probably no more so than a recent deal in which the city raised $215m of bonds backed by delinquent property taxes – and in this instance, the DBDBs offer the heart-warming kicker that the kids are supposed to benefit from the funds raised.

All goes to show that financial engineering is a good deal easier than the kind of social engineering that ensures the families stay together in the first place.

Exit Mr Poland

■ Jan Kulakowski, about to step down as Polish ambassador in Brussels after six tumultuous years, will be remembered as one of the most tenacious advocates of Polish entry into the European Union. But will his cause now wither? A friend of Jacques Delors, he took up his post during the post-cold war euphoria when the EU welcomed the central and east Europeans with open arms. Today, he says, euphoria has turned to scepticism. Even the Germans are having second thoughts because of the cost. And central Europeans are becoming disillusioned by the delay. Their leaders will take that message to next week's EU summit in Florence – but wonder if anyone is still listening.

Not for want of being told. Kulakowski has been no conventional diplomat. A slightly-built man, bandying political science with his early-morning cigarettes, he was prone to none of the romantic bluster some of his compatriots employ when talking about Poland's place in Europe.

A veteran of resistance – in Warsaw against the Nazis, and four decades later, as an underground Solidarity activist, he must hope that the battle to join the west is won despite his move.

Office politics

■ Poland's first casualty in the fight against organised crime appears to be Colonel Slawomir Petulicki, a security services veteran appointed as the prime minister's special coordinator of the project last month. Petulicki resigned this week – after falling foul not of gangsters but of the central government bureaucracy.

The colonel, who was due to represent Poland at yesterday's conference of anti-mafia supremos from the Baltic region in Stockholm, walked out after failing to get a meeting with Wlodzimierz Cimoszewicz, the prime minister, to discuss policy beforehand.

He has explained to the press that senior officials had blocked his efforts to obtain an office, staff or even a desk. His status was not formally confirmed – and he'd had to borrow a mobile phone.

The colonel's travails make life easier for Anita Gradin, the EU's internal affairs commissioner who is in Warsaw this week for talks with the government on, among others, Poland's fight against organised crime. Instead of having to endure long-winded explanations about how much is being done, she can just phone Colonel Petulicki – provided he hasn't given his mobile back.

Safe haven

■ The Bosnian Serb leaders refuse to live in the same country as their Moslem rivals. So it is perhaps lucky that they were not pitched together in the same hotel.

Just an hour before the six-month review of the Dayton peace process was due to get under way in Florence, a four-man delegation from Republika Srpska, the Bosnian Serb entity which is part of Bosnia, was suffering the sweltering heat in front of the Hotel Croce del Malta. The hotel was home to the Moslem-led Bosnian government. Even so, Jovan Zametica, the Serb government adviser, said the Serbs would happily sleep there. Perhaps fortunately, that wasn't put to the test as there proved to be no room.

Changing down

■ No wonder it's proved tricky to convince French investors to participate in most recent privatisation issues. Yesterday, it was Renault's turn; a new tranche was priced at FFr139 a share, a whisker above the FFr138.90 level at which the stock closed in Paris last night. But it is a chunky FFr26 below the price at which they were first offered to the public in November 1994. They *have* outperformed Eurotunnel.

The Financial Times

100 years ago

A Record Run To Paris
Yesterday a party of City gentlemen departed for Paris, in order to witness the Grand Prix run. The party left Victoria Station in London at 12.50, the whole distance to be covered being 292 miles. The train stopped on Dover Pier at 2.12 – 79 miles in 82 minutes. This is a record trip for the Chatham line. No time was lost at Dover, and the steamer "Empress" passed the pier head at 2.15, arriving at Calais at 3.30, thus beating all previous records for crossing the Channel by 40 minutes. The train steamed out of Calais station at 3.45 in the presence of several hundred spectators. The party arrived at Paris at 7.20, thus accomplishing the quickest run ever made between London and Paris, beating all previous records by 1½ hours.

50 years ago

South American Competition
European competitors of Great Britain are entering once again the South American import markets to such an extent that surprise is being expressed that the countries which were over-run by Germany have been able to recuperate so rapidly and to rehabilitate some of their industries so quickly. One of the industries in which this recovery has been most marked is that of textiles.

FINANCIAL TIMES
Friday June 14 1996

US takes Japan to WTO in dispute over Kodak

By Patti Waldmeir in Washington

The US is to file a complaint against Japan with the World Trade Organisation in its long-running dispute over whether Tokyo has unfairly restricted Eastman Kodak's access to the Japanese photographic market.

The announcement yesterday signals an important shift in the Clinton administration's trade strategy, which had previously focused on negotiating disputes bilaterally with Japan. Agreements were usually clinched at the last minute under the threat of US trade sanctions. The decision to refer the matter to the WTO reflects sensitivity to criticism by Washington's trading partners of its tendency to resort to unilaterally imposed sanctions.

Kodak brought its complaint against Fuji Photo Film of Japan a year ago under section 301 of US trade law. This permits the administration to impose punitive tariffs if a country is judged to have erected unfair barriers to the sale of US products. The two film giants have spent millions lobbying for support for their arguments, but the Japanese government has refused to negotiate with the Washington administration. Fuji denies Kodak's allegations, saying many of its problems stem from its poor marketing in Japan.

Ms Charlene Barshefsky, the acting US trade representative, said yesterday that her office's investigation of the Japanese film market had shown that Tokyo had "built, supported and tolerated a market structure that thwarts foreign competition, and in which exclusionary business practices are commonplace".

Washington will challenge Japan at the WTO on the grounds that it is violating the General Agreement on Tariffs and Trade and the General Agreement on Trade in Services through collusive practices that keep foreign film products from being widely distributed.

Mr Mickey Kantor, the US commerce secretary, stressed the broader implications of the action. "This is not simply about Kodak and its barriers in Japan. It is about fairness," he said.

By challenging the way Japan does business, the US government will present the WTO with an important test of its ability to rule on complex and subtle non-tariff barriers to trade. The Kodak case could set a broad precedent that might apply to other Japanese businesses.

However, Washington will also pursue its complaints with Japan's Fair Trade Commission, and has asked Kodak to provide additional information to that body, which in February began a survey of alleged anti-competitive practices in the industry.

Administration officials said they reserved the right to consider other options, possibly including sanctions, if they were unable to win their case at the WTO, a process that is expected to take as much as a year to complete.

Kodak's path to the WTO, Page 5

Germany close to agreement over public sector pay

By Andrew Fisher in Frankfurt

Germany's public sector wage dispute was close to resolution yesterday after arbitrators' proposals gained grudging acceptance from trade unions and went towards meeting employers' demands for a pay freeze.

The compromise deal must be ratified by both sides in a final round of talks next week, but the threat of further strikes in the country's transport, postal, refuse and other services appears to have been averted. Industrial action was suspended during the three weeks of arbitration over the 4.5 per cent pay claim.

The compromise foresees a 1.3 per cent wage rise in 1997, preceded by a one-off payment of DM300 ($194) in 1996 – equivalent to 0.8 per cent of average incomes – for each of the 3.2m public sector workers. Wages for east German employees will rise more slowly than union negotiators had hoped, to 85 per cent of the west German level in September 1997 from the present 84 per cent.

Mr Manfred Kanther, the federal interior minister leading the employers' team, said the arbitrators' proposals were acceptable. The government had made a pay freeze central to its new austerity policy, aimed at stringent budget savings.

But he said the compromise was "a sign of good sense". It does not include employers' initial demands for sick pay reduction and longer working hours.

The federal, Länder (state) and local authority employers would make a final offer based on the arbitration terms in the final round of talks next Thursday, Mr Kanther said.

The proposals would cost public sector employers DM4.1bn ($2.6bn); the states and local authorities would bear DM3.8bn and the federal government DM300m.

Mr Herbert Mai, head of the OeTV public sector union, said the proposed deal was a victory for the unions since the negotiations had been carried out against the background of government determination to make stringent public sector budget savings. The union's negotiating committee indicated it would also accept the terms.

The arbitrators said room for manoeuvre had been limited because of the financial problems of federal, state and local employers. "It was like waltzing on a postage stamp," said Mr Carl-Ludwig Wagner, the regional Christian Democrat politician who was one of the arbitrators.

He called the compromise terms "the right signal at the right time". This was not the time for significant wage increases, he added.

Settlements in the private sector, notably in the chemical industry, have all been at or below 2 per cent this year.

Civil wars dominate world's large armed conflicts in 1995

By Bernard Gray in London

All of the 30 large armed conflicts fought around the globe in 1995 happened within national boundaries, according to the Stockholm International Peace Research Institute's yearbook*.

These conflicts are increasingly focused on territorial disputes, rather than struggles for governmental control, the Swedish institute said. .

Armed disputes included civil wars in Bosnia, Liberia and Somalia. The number of conflicts fell from 32 in 1994, and 36 in 1989, the last year of the cold war, with spending on military hardware falling much faster than the number of conflicts. This reflected the global dominance of military spending by Nato and Warsaw pact countries during the cold war.

Military research and development spending has fallen by 55 per cent since 1987, according to Sipri. Over that period France, Italy, Sweden and the US all reduced their spending by 25 per cent or more, with only Japan, India and South Korea increasing spending significantly.

Sipri argues that the picture is distorted because of the decline in the very large budgets of western powers. Many developing states continue military spending out of all proportion to any realistic threat they face, and the trend to high spending is often exacerbated by internal tensions.

Some regional spending also remained high in 1995, with the Middle East and South-East Asia notable examples. Malaysia increased its defence budget by 6.5 per cent last year and gradrupled its arms imports.

Overall, the international trade in weapons showed no change in 1995, with the recorded level of trade static at $22.8bn. The post-cold war trend is for the trade to be concentrated between a few buyers and sellers.

The large arms suppliers are the significant military powers, who are also members of the UN Security Council, and the security relationship between buyers and sellers dictates the pattern of trade.

Of the top six exporters, five are the permanent members of the Security Council, with the list dominated by the US.

Bilateral defence relationships which have grown up as a result of such trade seem largely stable. However, states traditionally supplied with weapons by the western allies have seen the US increase its dominance at the expense of European powers in the past five years.

By contrast, many countries previously supplied by the Soviet Union have found it difficult to establish alternative supply lines.

Sipri Yearbook 1996: Armaments, Disarmament and International Security. OUP. 820pp £60.

Top 15 arms exporters

Conventional arms-exporting countries	1994 $US*	1995 $US*
United States	[illegible]	[illegible]
Russia	3,905	982
Germany	[illegible]	[illegible]
Britain	1,663	1,493
China	[illegible]	744
France	815	1,021
[illegible]	[illegible]	[illegible]
Netherlands	446	586
Czech Rep	[illegible]	[illegible]
Italy	324	338
[illegible]	[illegible]	[illegible]
Canada	301	263
Sweden	[illegible]	[illegible]
Poland	201	117
Slovakia	[illegible]	[illegible]

* Ranked in $US millions, 1990 value.
Source: Stockholm International Peace Research Institute

French row over imports of banned feed

Continued from Page 1

meat and bone meal in cattle and sheep feed did not produce a huge surplus of the material which Britain had to export since most of it was included in feed for poultry and pigs.

The use of meat and bone meal in feed for pigs and poultry was not banned until March 29 this year when the latest crisis over BSE broke.

"Around 12 per cent of our meat and bone meal production went into cattle feed, all the rest was used in pig, poultry and pet foods, so the effect of the ban was not devastating," Mr Foxcroft said.

According to France's Le Monde newspaper, the European Commission already knew about the risks to human health from BSE two weeks before the UK government made its fateful statement to that effect.

THE LEX COLUMN

On a wing and a prayer

Does it still make sense to build regional aircraft in developed countries? Yesterday's warning by Fairchild that it will halve the workforce at its new acquisition Dornier Luftfahrt, coming on top of Fokker's bankruptcy earlier this year, suggests not.

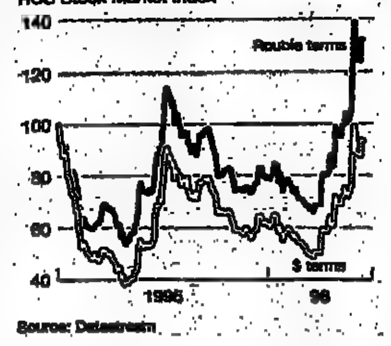
Fokker and Dornier, trapped in high-cost countries like the Netherlands and Germany, are extreme examples. But almost all the world's regional aircraft makers are in the red. This is despite positive fundamentals: air traffic is growing at 5 per cent a year, with much of the demand concentrated at the bottom end of the market as airlines look for smaller, quieter and more flexible aircraft. Unfortunately, this rosy picture has been spoiled by vast oversupply. Airlines ordered too many aircraft in the 1980s when manufacturers were offering aggressive financing packages to win market share. On top of that, the last few years have seen new entrants from developing countries including Brazil, Indonesia and China. To gain prestige and technology, governments in these countries are often prepared to subsidise their aerospace industries.

For western manufacturers the obvious solution is continued rationalisation. The joint venture between British Aerospace, Aerospatiale of France and Italy's Alenia, for instance, is a logical candidate for merger with Airbus, which is largely owned by the same companies. Sweden's Saab, which is heavily loss-making, also looks in need of a partner. But even mergers are unlikely to do more than delay the shift of production to developing countries.

FT-SE Eurotrack 200: 1730.8 (-3.1)

Russia

ROS Stock Market index



Source: Datastream

Russia

For months, investors piling into Russian equities have been positioning themselves to play a high-risk, high-return game of roulette. The potential downside has always been serious: a communist presidency is a real possibility and would certainly be grim for investors. Moreover, as the current fracas over stolen bonds shows, Russian investments are only for those with strong stomachs. Even so, many Russian shares have long looked ostentatiously cheap on fundamentals: for all his faults, a victory for President Boris Yeltsin in the elections about to start would almost certainly cause the market to boom.

The complication is that, to an extent, it already has. Thanks largely to the inflow of risk-hungry foreign investors, the stock market's ROS index has doubled since mid-March. As a result, the balance of risk and reward has shifted markedly. To avoid a second round of voting in three week's time, Mr Yeltsin would need to win more than half the first-round vote – an improbable feat. So investors have to weigh their existing gains against the strong probability of market nervousness in the run-up to the second round, and the risk of a communist victory thereafter. For the nervous, there is a compelling case for taking profits today.

For the same reason, though, next week and beyond could offer attractive buying opportunities for the brave. The communists certainly cannot be written off. But with a Yeltsin victory still the likeliest eventual outcome, any serious jitters following the first round could make the risk/reward trade-off interesting again.

Johnson Matthey

From dull metals trader to high-tech manufacturing group, Johnson Matthey has come a long way in the past five years. Including recent acquisitions, over half of profits now come from electronic materials, ceramics and biomedical products, which grew by a combined 40 per cent last year. Prospects for all those areas and particularly electronics, where the group is developing new circuit board technology for the likes of Intal and Motorola, look exciting.

The transformation has not been painless, however. The loss of a big General Motors contract knocked a third off profits in the catalytic systems division, which was Johnson Matthey's great hope for the future only two years ago. With a strong position in diesel catalysts, that business should gradually recover. But the management clearly regards it more as a source of cash than a source of growth from now on.

Cash is certainly one thing the group could do with more of. Heavy investment and working capital increases have eaten into cash flow in the past two years and capital spending is still running at nearly twice depreciation. While the opportunities appear to justify that investment and the balance sheet is strong enough to cope, investors may start getting impatient for a pay-back. After all, the semiconductor market suffers from notorious swings in demand and product life cycles are shortening all the time.

Johnson Matthey's technology and strong market positions make an attractive combination. But on a 20 per cent premium to the market average for this year, the shares look fairly priced.

UK takeovers

Better late than never, the Securities and Investments Board, the UK securities regulator, and the Takeover Panel are tackling a thorny issue: the use of derivatives to circumvent existing rules on buying shares in the run up to bids. The issue arose as a result of some rather nifty footwork by Swiss Bank Corporation, adviser to Trafalgar House in its failed bid for Northern Electric. The use of derivatives called "contracts for differences" allowed Trafalgar to make a profit on the shares when the bid was announced, defraying the cost of a financially-driven bid.

Since investment bankers are paid to find such wrinkles, the regulators are sensibly seeking to enforce principles rather than set rules which could be outmanoeuvred. There are two main issues. First, the Trafalgar case required at least a fudging of the Chinese wall between corporate finance and market-making. The SIB proposes to put a stop to what would be considered insider trading were it a cash rather than a derivatives transaction. This is entirely logical. Contracts for differences may not confer voting rights, but they do give the bidder a financial interest in the target. Second, there is the issue of disclosure. Here, the Takeover Panel has also decided that the same level of disclosure should apply whether dealing is in derivatives or shares.

Given the current bull market for M&A deals, this tightening up of the framework is particularly important. The ability to use derivatives to defray the bid costs could encourage speculative, financially driven bids which are industrially unsound.

Lex comment on Somerfield, Page 28

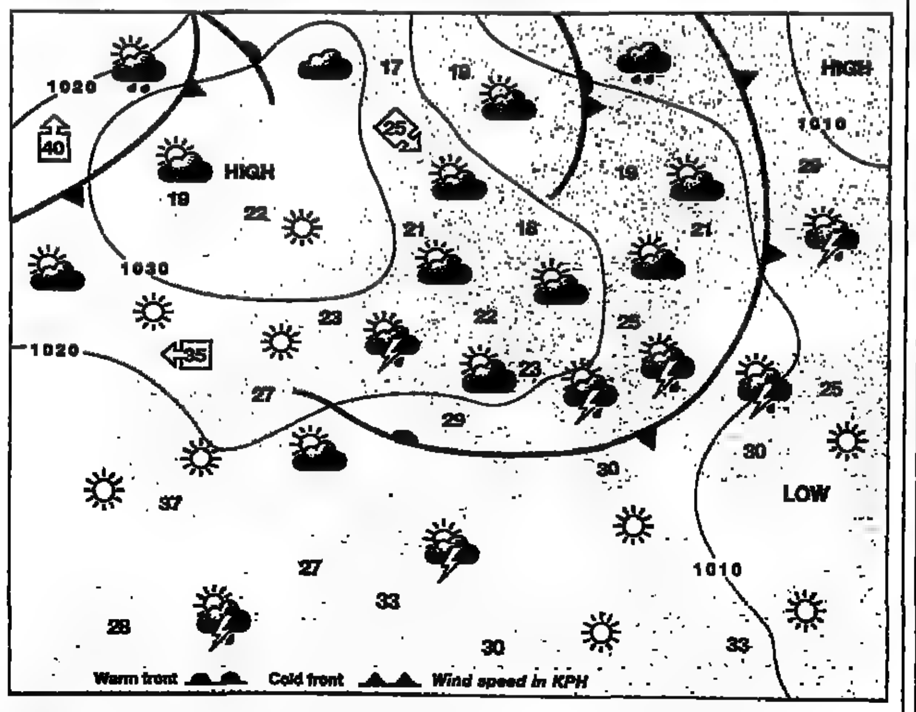
FT WEATHER GUIDE

Europe today

Warm days but cold nights will prevail from Ireland towards Poland as summery air is pushed further south. The UK will be sunny with temperatures between 18C-22C. Germany, the Low Countries and north-eastern France will have cloud during the afternoon. Temperatures will rise to 21C in the Alps. Southern Scandinavia will be warm and sunny with moderate temperatures. Finland will have showers. The cold front which caused low temperatures across the continent will reach eastern Europe with heavy thunder showers from northern Russia towards the Balkans. The Mediterranean will be sunny but scattered showers will affect Sicily and Sardinia.

Five-day forecast

Cool air will settle across central and northern Europe although a gradual warming trend will arrive from the west. The Balkans will be sultry with several thunder showers developing during the afternoon. Sunshine will return over central Europe. Scandinavia will be warm and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius		Beijing	cloudy	33	Caracas	fair	32	Faro	sun	28	Madrid	sun	35	Rangoon	rain	33
			Belfast	sun	20	Cardiff	sun	20	Frankfurt	sun	23	Majorca	sun	29	Reykjavik	rain	12
Abu Dhabi	sun	40	Belgrade	thund	22	Casablanca	fair	28	Geneva	sun	24	Malta	sun	31	Rio	sun	25
Accra	cloudy	28	Berlin	sun	19	Chicago	sun	28	Gibraltar	sun	23	Manchester	sun	20	Rome	fair	29
Algiers	fair	27	Bermuda	fair	28	Cologne	sun	20	Glasgow	fair	20	Manila	rain	35	S. Frsco	sun	25
Amsterdam	sun	17	Bogota	cloudy	18	Dakar	fair	28	Hamburg	sun	18	Melbourne	fair	15	Seoul	cloudy	25
Athens	sun	34	Bombay	rain	31	Dallas	fair	35	Helsinki	cloudy	16	Mexico City	cloudy	24	Singapore	cloudy	31
Atlanta	fair	33	Brussels	sun	19	Delhi	fair	35	Hong Kong	shower	32	Miami	thund	30	Stockholm	fair	19
B. Aires	rain	24	Budapest	fair	20	Dubai	sun	40	Honolulu	fair	33	Milan	shower	25	Strasbourg	sun	23
B.ham	sun	20	C.hagen	sun	19	Dublin	sun	19	Istanbul	fair	28	Montreal	fair	27	Sydney	shower	15
Bangkok	thund	36	Cairo	sun	33	Dubrovnik	fair	29	Jakarta	cloudy	31	Moscow	thund	22	Tangier	sun	30
Barcelona	sun	26	Cape Town	rain	15	Edinburgh	fair	19	Jersey	sun	18	Munich	fair	21	Tel Aviv	sun	31
									Karachi	fair	36	Nairobi	shower	24	Tokyo	rain	26
									Kuwait	sun	44	Naples	fair	29	Toronto	fair	28
									L. Angeles	fair	24	Nassau	fair	31	Vancouver	shower	18
									Las Palmas	fair	26	New York	thund	32	Venice	sun	28
									Lima	cloudy	17	Nice	shower	28	Vienna	fair	22
									Lisbon	fair	34	Nicosia	sun	35	Warsaw	fair	17
									London	fair	22	Oslo	sun	20	Washington	fair	33
									Lux.bourg	sun	21	Paris	sun	23	Wellington	fair	12
									Lyon	sun	24	Perth	fair	21	Winnipeg	thund	27
									Madeira	fair	26	Prague	fair	19	Zurich	fair	22

FINANCIAL TIMES
COMPANIES & MARKETS

Friday June 14 1996

IN BRIEF

Microsoft steps up intranet war

Microsoft unveiled plans to combine its top-selling personal computer software products with Internet technologies to enable businesses to build intranets, internal networks based on Internet standards. Intensifying its marketing battle with Netscape Communications, the current Internet software leader, Microsoft said that it would make intranets the focus of its business software products. Page 24

Commerzbank takes stake in stockbroker
Commerzbank, the German bank, has taken a 25 per cent stake in Wood & Co, an independent stock-broking firm with offices in Prague and Warsaw, and both firms have set up a joint venture to trade in central and east European bond markets. Page 22

Telia seeks commitment on cash injection
Telia, the state-owned Swedish telecoms operator, said it risked being handicapped in the face of tough competition from international and domestic operators unless the government gave it a cash injection of up to SKr10bn ($1.49bn) for investment. Page 22

Philip Morris sees cigarette sales jump

Philip Morris, the US tobacco and food group, predicted its worldwide cigarette sales would increase more than 20 per cent to 1,000bn cigarettes a year by 2000, largely as a result of expansion overseas. Last year's sales volume was 815bn. Mr Geoffrey Bible, Philip Morris's chairman and chief executive, said the increase would be supported by the "high quality and unbeatable positioning" of the company's brands, including Marlboro, and the growing popularity of American-style cigarettes in general. Page 24

Montedison questioned over strategy
Italian fund managers called on directors of Montedison, the industrial holding company, to explain how they intended to make the most of the group's potential, and end alleged conflicts of interest with Ferruzzi Finanziaria, Montedison's main shareholder. Page 23

PAL begins borrowing for modernisation
Philippine Airlines (PAL), the loss-making national carrier, secured a $300m loan from a consortium of local banks . The loan – its first significant borrowing since a share dispute two years ago – was made possible by a supreme court ruling two weeks ago. Page 25

UK supermarket chain set for flotation
Somerfield, the UK's fifth biggest supermarket chain, is today expected to announce plans for a July flotation that will raise up to £525m ($803m). Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Altana	1134	+	88	BIC	684	+	32
CKAG Col pf	931	+	31	Legrand	945	+	36
Goldschmidt	550	+	18	Seb SA	923	+	16
Karstadt	610.8	+	14.8	**Falls**			
Falls				Bongrain	2536	–	59
AEG	165	–	3.5	Cred Lyon	118.3	–	[illegible]
Daimler Benz	832	–	11	Imetal	757	–	11
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Carlbiner Intl	35¼	+	2¼	Central Glass	434	+	[illegible]
Southern Pac	18⅞	+	[illegible]	Daishowa Ppr	900	+	42
Utd Transmit	23⅝	+	3½	Ihara Chem	874	+	18
Falls				**Falls**			
Diana Corp	60½	–	5¼	Calpis Food	885	–	23
FMC Corp	64⅝	–	3⅝	Tobishima	470	–	15
Zilog Inc	31	–	2½	Zexel Corp	695	–	15
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
FI Group	405	+	17	HK Daily News	1.2	+	0.1
FKI	179	+	18	Sun Hung Kai	3.25	+	0.35
Partco	313	+	20	TF Hingtung	1.03	+	0.08
Falls				**Falls**			
BAA	463	–	16	Gt Eagle	21.75	–	0.7
London Elec	662	–	30	Island Dyeing	7.0	–	0.3
[illegible]	239	–	26	LCH Bank	10.25	–	0.35
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Gandalf Tech	12.4	+	0.7	Samaggi Ins	66.0	+	6.0
KGW Res	10.0	+	1.15	Sym Mae Kong	66.0	+	6.0
Samuel Man	13.0	+	0.6	Thai Vegetble	64.0	+	5.5
Falls				**Falls**			
Bar Minerals	9.2	–	2.3	PCM Precast	87.5	–	9.5
Hummingbird	40.8	–	8.2	Thai Fish	28.5	–	3.0
Newcan Res	10.1	–	2.4	Tipco	35.5	–	5.75

New York and Toronto prices at 12.30pm.

Stena warns on Channel competition

By Greg McIvor in Stockholm

Intense competition on English Channel routes took its toll on Stena Line of Sweden, the world's biggest ferry operator, when it warned yesterday that lower-than-expected volumes on Channel crossings would contribute to a deterioration in 1996 profits from the levels achieved in 1995.

The company had forecast an improvement in profits less than two months ago from SKr201m ($29.7m) in 1995.

However, it said yesterday that price cuts by Eurotunnel, the Channel tunnel operator, and teething problems with its new Highspeed Sea Service (HSS) ferries would affect performance to a greater extent than previously expected.

Mr Bo Lerenius, Stena's chief executive, declined to comment on the probable level of profit for the year, pending developments in the peak season between June and September, which accounts for 50 per cent of Stena's business.

He said volumes and income in the English Channel and Scandinavia in April and May had failed to develop in line with projections.

Eurotunnel's recent announcement of lower prices would cut income on Stena's Dover-Calais route during the summer season.

The company said Eurotunnel was now a "very strong competitor" and the growth in the volume of motorists on Stena's crossings had so far failed to match last year's 20 per cent increase.

The Gothenburg-based company said performance had been hit by a combination of postponed HSS ferry deliveries, coupled with running-in problems on the vessels.

Mr Lerenius said the vessels' technical functions had now been tested in regular traffic and the market had accepted higher ticket prices.

"But 1996 will be a phasing-in year and we will not feel the full benefit on the profit until 1997," he said.

The first HSS ferry, which is now in service between Holyhead, Wales, and Dun Laoghaire, Ireland, had been expected to start sailing by early March but was delayed for more than a month because of late delivery. Restrictions on freight cargoes and wave height were also imposed. These have since been lifted.

Stena said it "could not exclude the possibility of further disturbances" during the phasing-in from mid-July of a second vessel between Stranraer and Belfast. The introduction of a similar craft to run between Sweden and Denmark has also been put back for several months because of shipyard delays.

Stena's 1995 profits more than halved to SKr201m, mainly because of the opening of the Channel tunnel.

The company said yesterday that volumes on longer routes, which suffered in the aftermath of the 1994 Estonia ferry disaster in the Baltic Sea, were recovering.

Andrew Jack reports on growing pressure for groups to provide shareholder value

French investors start to acquire some savoir-faire

When the directors of Société Immeubles de France, a property company, rented a meeting room in central Paris for just one-and-a-half hours recently for their annual general meeting, they were clearly expecting a quick and quiet affair.

Instead, they faced abuse, questions and calls for a vote of no confidence from individual investors outraged at the directors' proposals to merge the business with Crédit Foncier de France, its 55 per cent parent which is now effectively bankrupt.

It was one of the most vivid examples of a trend permeating corporate France. There are growing signs that investors are beginning to urge businesses to own up to their responsibilities. While there have long been signs of frustration, the indications suggest that businesses are beginning to respond.

"I am convinced that things are changing," says Mr Hervé Guez, head of the French country desk at Merrill Lynch. "It is easy to be cynical, but there are clear signs of companies reacting to improve shareholder value."

Increasing numbers of groups – including Lyonnaise des Eaux, Paribas and, most recently, the recently-privatised insurer Assurances Générales de France – have set clear objectives for return on equity, where in the past they and others were satisfied to set targets on turnover or, at best, profits.

Many analysts remain sceptical that such targets will be met. But the rhetoric is beginning to be matched by action. Later this month, the conglomerate Chargeurs will become the first big French group to split into two separate quoted companies, one handling media interests and the other textile operations. The move is widely interpreted as an attempt to remove the substantial discount to net asset value at which Chargeurs trades on the stock market – a discount which would make it difficult for the group to mount takeover bids using its own shares as payment.

Earlier this week, Union des Assurances de Paris, the insurer, sold off FFr3.2bn ($616m) in gross property loans. One of the strongest arguments used by Bankers Trust, UAP's adviser, to push for the deal was that similar operations in the US have helped boost companies' share prices.

> Groups have set objectives for return on equity, where in the past they set targets on turnover

While some companies are taking the initiative, dissatisfied shareholders are also beginning to take matters into their own hands. Foreign institutions, which in the past often maintained a low profile, have been an important force.

A year ago, Elliott Associates, a US investment fund, proposed at the annual general meeting a series of resolutions designed to improve the value of its investment in Compagnie d'Investissements de Paris, an investment company, in which Banque Nationale de Paris holds the controlling stake. The Elliot move was unsuccessful, but SBC Warburg which also owns a stake in CIP, last month proposed similar resolutions which appear to have tilted the balance. BNP took the initiative just days before the AGM by proposing a buy-out of the minority investors in CIP, offering them its own shares in exchange.

French investors are also becoming more aggressive – partly reflecting a change in ownership. Mr Guez at Merrill argues that in the past, domestic insurers and banks, which held large stakes in other companies, "asked for influence and not return". "They got a bad deal," he says. Now, as those groups seek to attract foreign investors, their own fund managers are being forced to achieve a better return on investments.

The more aggressive approach by foreign and French institutions was highlighted in the proposed merger of Crédit Foncier with Immeubles de France. Their complaints triggered a rare ruling from the Conseil des Bourses de Valeurs, which oversees French takeovers, advising Crédit Foncier not to proceed with its merger at the price it had tendered. Foncier abandoned its plan – which in view of its subsequent FFr10.8bn losses, would have rendered shares in Immeubles almost worthless.

Crédit Foncier has also acted as a rallying point for small investors. Ms Colette Neuville, head of Adam, the association for the defence of minority shareholders, has collected several million proxy votes which she is threatening to cast against approval of the bank's accounts at its annual general meeting at the end of this month, unless the directors and the government come up with a more impressive restructuring package.

Malcolm Watson
Taking the platform: Eurotunnel shareholders demonstrated at Calais last month to call for the protection of their interests

Meanwhile, Ms Sophie l'Helias, a lawyer specialising in corporate governance, has received several thousand proxies from minority investors in Eurotunnel threatening similar action. It offers a form of pressure which boards are having to begin to take more seriously. It was certainly no accident that Mr Patrick Ponsolle, Eurotunnel chairman, made great play when unveiling the group's 1995 results earlier this year of his responsibility to shareholders, and stressed that others – notably creditor banks – should take most of the "pain" in any restructuring.

The real challenge for such individual investor actions will be how to agree and maintain a common position in the face of complex financial proposals which will clearly involve further sacrifice. In the meantime, like the institutional investors, they can at least be content that their voice is beginning to be heard.

Stork set to buy parts of Fokker

By Michael Skapinker, Aerospace Correspondent

Stork, the Dutch industrial services company, yesterday said it was to begin due diligence on parts of Fokker, the aerospace group which went into bankruptcy in March, and was likely to buy them.

Stork is examining Fokker Aviation, activities of which include the maintenance and servicing of the 1,200 Fokker aircraft in operation. It does not include Fokker Aircraft, the aircraft building company.

Fokker said yesterday that it was still in talks with several potential buyers of the aircraft building business. They include Mr Rosen Jacobson, a Dutch businessman, and Tupolev, the Russian aircraft manufacturer.

Fokker Aviation, which has 2,200 employees, is made up of those parts of the Fokker empire which were still regarded as viable when the company went into bankruptcy after Daimler-Benz Aerospace of Germany, which controlled it, withdrew its financial support.

Fokker said Stork's examination of Fokker Aviation would take several weeks. Stork issued a positive statement, however, saying: "It is the intention of both parties that Stork will take over Fokker Aviation after the conclusion of this procedure." Stork said it expected due diligence to produce few surprises. It said a deal could be agreed by mid-July.

The Fokker Aviation businesses are now owned by a foundation which bought them from the Fokker receivers.

In addition to the servicing of aircraft, Fokker Aviation uses the company's aircraft technology and applies it to other areas of the defence and aerospace industry. This includes the development of missiles and medical equipment.

A sale of Fokker Aviation would provide some assurance to airlines flying Fokker aircraft that the supply of spare parts and servicing would continue. Even more welcome, however, would be a buyer for the Fokker aircraft building business.

The Fokker turboprops and jets are highly regarded in the aviation industry. Several potential buyers have examined the business, however, without making an offer. They include Bombardier of Canada and Samsung of South Korea.

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FKI plans £300m spending spree as profits rise 63%

By Tim Burt in London

FKI, the acquisitive UK engineering group, is planning to spend up to £300m ($460m) on acquisitions in the next few months in an attempt to push turnover beyond £1bn for the first time.

The company, which yesterday unveiled a 63 per cent increase in annual pre-tax profits to £90.1m, has been granted "exclusive rights" to pursue an agreed takeover of two unnamed privately-owned engineering companies and has embarked on due diligence on a third.

Mr Jeff Whalley, chairman, said if agreement was reached FKI would announce the deals before the end of August.

"I would like FKI to be a FT-SE 100 company," he said. His optimistic sentiment helped lift the share price by 18p to 179p as more than 6m shares changed hands.

Sales in the year to March 31 rose to £873m from £768.6m. FKI ended the year with net cash of £53.5m and has borrowing facilities in place of about another £300m.

Mr Whalley hinted that the group – which is involved in materials handling, hardware products, automotive and engineering equipment – might spend up to £200m on one acquisition, while considering smaller bolt-ons elsewhere.

If the deals now under consideration are consummated, they could add up to £300m to FKI's annual turnover.

The company has been seeking acquisition opportunities since launching a £136.6m rights issue last year, of which it has spent $64.1m on Amdura, the US lifting equipment manufacturer, and $39.2m on Wright Products, the US storm and screen door equipment business.

Analysts now expect FKI to target a UK acquisition, which would provide profits to help it claw back £30m of unrelieved advance corporation tax.

Of its £95.8m operating profits, almost £80m were were generated outside the UK – mostly in North America. Profits in the US and Canada rose from £62.7m to £75.7m despite volatile trading conditions in FKI's automotive division, hit by last year's strike at General Motors.

Wood Gundy president resigns following management friction

By Bernard Simon in Toronto

Mr Jim Beqaj, president of CIBC Wood Gundy, one of Canada's biggest securities dealers, has left abruptly after severe tensions in his relationship with colleagues.

Wood Gundy said: "Mr Beqaj's view of the way the organisation was going was not consistent with the rest of the management team." It declined to give further details, but said: "We're following the plan we set 2½ years ago."

Mr Beqaj, who had been at Wood Gundy for 19 years and president since 1992, led ambitious moves in the past two years to join the top league of global businesses in markets for derivatives and other specialised financial products, such as high-yield debt. The firm is the investment banking arm of Canadian Imperial Bank of Commerce.

Under Mr Beqaj, Wood Gundy aggressively expanded its operations in New York, London and Singapore, hiring sales and trading teams from other investment banks and acquiring Argosy Group, a US dealer in high-yield securities. The financial products group employs 360 people.

The expansion into derivatives was initially costly, but Wood Gundy said the operations were now exceeding expectations. The firm as a whole earned C$114m (US$83m) in the three months to April 30, a third of CIBC's total net income.

However, problems in marrying old and new cultures have persisted, resulting in an intensely political atmosphere. Mr Beqaj's brash, independent style made him unpopular among colleagues, and at least two dozen senior managers have quit over the past 18 months.

Much of the friction has centred on pay, including generous compensation guarantees used to lure highly-paid traders and salespeople from other investment banks, but not available to existing employees.

The firm recently threw out a scheme under which senior managers were encouraged to borrow big sums to buy "phantom equity" linked to Wood Gundy's performance. Some refused to participate.

Mr Wayne Fox, deputy chairman, will take over Mr Beqaj's duties for the time being.

Commerzbank takes stake in Wood & Co

By Vincent Boland in Prague

Commerzbank, the German bank, has taken a 25 per cent stake in Wood & Co, an independent stockbroking firm with offices in Prague and Warsaw, and both firms have set up a joint venture to trade in central and east European bond markets.

The acquisition of the stake, the subject of speculation in the market in Prague for some time, is in the form of an equity injection. Terms were not disclosed, but Mr Klaus-Peter Müller, a Commerzbank main board director, said yesterday it was "not cheap".

Mr Richard Wood, a former vice-president of Salomon Brothers in London who founded Wood & Co in 1990, and other partners of the firm retain 75 per cent. Mr Wood said the firm's book value had increased to $16m following Commerzbank's acquisition of its stake.

The new capital will allow the firm to expand its equity underwriting business, particularly in the Polish market, where it has been active since opening in Warsaw in 1994. Mr Wood said Wood & Co was the largest underwriter of Polish equity issues and "that's where we need new capital".

Wood & Co represented Salomon in Prague up to 1994, when it became an independent operator. It is now one of the leading stockbrokers in the city's growing capital markets and has concentrated on equity trading and research. It is also a primary dealer in Czech government bonds.

The 50:50 bond-trading joint venture, to be known as WoodCommerz, will offer market-making, underwriting and research capacity in fixed income securities throughout central and eastern Europe. It will be able to hold $100m of local currency bonds without seeking outside finance.

WoodCommerz will concentrate initially on bonds denominated in the Czech, Slovak and Polish currencies, but will expand to cover other currencies in the region. Mr Wood described it as a marriage of Wood & Co's distribution capacity with Commerzbank's client relationships in the region.

Commerzbank, which claims to be the largest foreign bank operating in Prague, has been a leading arranger of Czech koruna-denominated eurobonds, including a Kcs2.5bn ($89.4m) issue for the World Bank and a Kcs1bn issue for the International Finance Corporation, that institution's private sector arm.

The bank has not been active in equity market trading, which is dominated by the stockbroking arms of the leading domestic banks and a small number of independent firms, including Wood & Co, Atlantik and Patria Finance.

Cable counts the cost of staying competitive

Expanding technological horizons pose uncomfortable choices for Europe's operators

The cable operators of Europe are facing the biggest challenge in their history as digital satellite television groups prepare to launch systems offering as many as several hundred channels.

At the same time as weighing the cost of moving to digital transmission, the cable companies will also have to contemplate the cost of upgrading their networks for interactive services such as Internet access and telecommunications.

"Cable companies must go digital when the time is right. The question is, when is the right time?" says Mr Hans Larsson, president of Svenska Cabel-TV Sweden and vice-president of the Brussels-based European Cable Communication Association (ECCA).

Mr Larsson faces digital competition in Scandinavia this autumn from Nethold, the international pay-television group. Svenska Cabel does not have to respond immediately, because Nethold – whose main parent is Richemont, the tobacco and luxury goods group – will have few decoders, services or customers at the outset. "We can wait. But we must do it. Everyone must do it [move to digital]," Mr Larsson says.

At the annual meeting last month of the ECCA, in Jerusalem, companies which together have more than 41m cable subscribers across Europe expressed unease at the competitive threats and the large investments they could face over the next few years.

The combination of "going digital" and upgrading networks for telephony could involve investment of hundreds of millions of dollars across Europe.

Even in the UK, where cable companies have been offering telecoms services in competition with British Telecommunications for more than five years, cable operators will now have to consider going digital – which will mean new decoder boxes for every subscriber.

BSkyB, the satellite venture controlled by Mr Rupert Murdoch's News International, has announced plans to launch a digital satellite service in autumn 1997 with an initial 200 channels, that could eventually reach close to 500 channels.

If BSkyB wins the right to show all English Premiership league games simultaneously in return for an "electronic season ticket", cable companies could quickly start to run out of channel capacity.

Most European cable operators are just beginning to come to terms with the challenge and potential of cable telephony. Only the UK and Sweden offer a full service, although all cable companies in European Union countries will be able to compete with telephony from the beginning of 1998, if not before.

Mr Joop Wehrmeijer, director of cable television and telecommunications of NV Eneco, a Dutch cable operator whose cable networks include Rotterdam, accepts there will be big costs in modernising networks.

"We have to compete on services, and our networks aren't able to meet the level of service we need to really be competitive," Mr Wehrmeijer says. He adds that Eneco hopes to start competing next year with KPN, the recently privatised Netherlands post, telephone and telecoms group, by targeting the business market. It will lay a new network over its old system in business centres such as Rotterdam.

Some cable operators, such as Rediffusion of Switzerland, which has been put up for sale by Alcatel, its French parent, seem unenthusiastic about cable telephony. Mr Martin Christoph, Rediffusion's deputy director, told the Jerusalem conference he feared the Swiss PTT would simply undercut cable's telecom prices, helped by the high level of cable penetration in Switzerland.

European cable penetration

All figures in millions

	Population	Households	Homes passed by cable	Subscribers
Austria	[illegible]	[illegible]	[illegible]	1.0
Belgium	10.1	4.0	3.8	3.6
Czech Rep	[illegible]	[illegible]	[illegible]	0.5
Denmark	5.3	2.4	1.5	0.9
Finland	[illegible]	[illegible]	[illegible]	0.8
France	58.1	23.0	6.3	1.9
Germany	[illegible]	[illegible]	[illegible]	15.8
Ireland	3.6	1.1	0.6	0.4
Israel	[illegible]	[illegible]	[illegible]	0.9
Netherlands	15.5	5.6	6.1	5.7
Norway	[illegible]	[illegible]	0.8	0.7
Poland	38.5	12.5	3.0	2.1
Spain	[illegible]	[illegible]	[illegible]	0.1
Sweden	8.8	3.8	2.2	1.9
Switzerland	[illegible]	[illegible]	[illegible]	2.8

Source: European Cable Communications Association

Ms Mary Maher, director of video enabled solutions at IBM (USA) warned that cable companies could go out of business if they did nothing. Many were still focusing entirely on increasing market share, rather than on meeting the coming technological threat.

Mr Peter Kokken, secretary-general of the ECCA, fears that in some cases cable companies might wake up to the competitive threat too late, although he emphasises that most of them have money to modernise if they want to. The situation is complicated by the presence of large telecommunications organisations at the heart of the European cable market.

The largest cable operator in Europe, Deutsche Telekom, which already has nearly 16m cable subscribers in Germany, last year carried out a trial in Berlin which involved offering digital transmission and multimedia services.

Although there have been problems resulting from a shortage of digital decoders and the need to negotiate with the German Länder (states), Mr Gerhard Faltor of Deutsche Telekom told the conference: "We are confident that commercial digital services will be available on our networks within the next six months."

Cable operators are now trying to make alliances with outside PTTs in order to compete with their own national telecom operators.

KPN, which has bought cable networks in the UK, might bid for Rediffusion of Switzerland to try to compete for telecom services there.

Mr Kokken believes a revolution is under way, but unlike in the UK, where US cable and telecoms companies dominate the cable market, he believes it will be a European cable revolution – albeit one that will increasingly cross national frontiers.

Raymond Snoddy

Telia seeks commitment on cash injection

By Greg McIvor in Stockholm

Telia, the state-owned Swedish telecoms operator, said yesterday it risked being handicapped in the face of rigorous competition from international and domestic operators unless the government gave it a cash injection of up to SKr10bn ($1.49bn) for new investment.

Mr Lars Berg, Telia chief executive, said the group – whose domestic market is one of the most liberalised in the world – was no longer able to fund its entire capital requirement internally. It needed to increase annual investment from SKr10bn to SKr12bn for the next five or six years, while profit growth would be undramatic.

"We need capital. Telia is under stress in this highly competitive market," Mr Berg said in an interview. The company's domestic market had been opened to leading international groups, but Telia was suffering because it was blocked from entering many markets where deregulation had yet to occur, he said.

Mr Berg said Telia had been pressing for additional funds for 18 months and now required a commitment "fairly soon". Without the cash "we would look weaker and it might limit our ambitions in five or six years' time".

Telia has seen its operating income fall and its gross margin contract from 37 per cent to 31 per cent since the Swedish market was deregulated in 1993. Intensified domestic competition has prompted the group to expand its international activities, a strategy that has been cost-intensive.

The company is keen to extend the operations of Unisource, the international expansion vehicle it jointly owns with the national telecoms operators of the Netherlands, Switzerland and Spain.

In addition, it is planning to invest some SKr20bn in extending its telecoms-based information network by offering broadband services to all Swedish households based on the Asymmetric Digital Subscriber Line system.

NEWS DIGEST

Cerus still awaits offer for Valeo stake

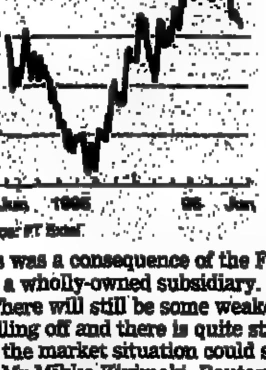
Cerus, Mr Carlo De Benedetti's French holding company, has still received no firm offer for its strategic stake in Valeo, the French automotive components group, in spite of a string of recent reports linking various companies to the holding. This emerged yesterday as the Italian industrialist presided over Cerus's general shareholders' meeting, a discreet affair, closed to journalists, in Paris's luxurious Plaza-Athénée hotel.

Mr De Benedetti said Cerus had taken "no decision" on whether to sell its stake in Valeo, but it did not rule out the sale of any of its holdings if it received an "attractive" offer. In Valeo's case, this is widely interpreted to mean an offer of about FFr350 a share. Valeo shares yesterday fell FFr3.40, or 1.2 per cent, to FFr271.80. Cerus was down FFr2.50, or 2.2 per cent, at FFr110. *David Owen, Paris*

Air France director quits

Mr Pascal Goachet, human resources director of Air France Europe, Air France's domestic partner, resigned yesterday. He was replaced by his deputy, Mr Jacques Rozen. The company, which is negotiating with employees over a transition plan paving the way for its merger next year with Air France's European operations, said only that Mr Goachet's resignation was "by agreement with the general management". *David Owen*

Rautaruukki beats forecast



Source: FT Extel

Rautaruukki, the Finnish steel group, yesterday announced better than forecast four-month profits and said a falling trend in steel demand and prices was levelling off, and prices could turn higher next autumn. In January-April, Rautaruukki posted a FM357m ($68.5m) profit before extraordinary items and tax, compared with FM370m in the year-ago period. Analysts had expected FM270m profit. Sales advanced to FM4.8bn from FM2.92bn. Rautaruukki said the near doubling of its sales was a consequence of the Fundia acquisition, which is now a wholly-owned subsidiary.

"There will still be some weakening in prices, but the fall is levelling off and there is quite strong optimism in the sector that the market situation could strengthen in the autumn," said Mr Mikko Kivimaki, Rautaruukki president and chief executive. Prices of some long steel products had already turned higher, he said. *Reuter, Helsinki*

Plzensky Prazdroy looks abroad

Plzensky Prazdroy, the flagship Czech brewing group, has signed a contract with Serenus International, a UK-based consultancy, to develop its international sales and marketing operations, initially in the UK. Serenus was set up two years ago by Mr Christopher Varley, formerly managing director of the European trading operations of Anheuser-Busch, the US brewer. Plzensky, maker of Pilsener Urquell, the premier Czech beer, is the largest and best-known brewer in the Czech Republic. The contract with Serenus is initially for six months. *Kevin Done, East Europe Correspondent*

COMPANIES AND FINANCE: EUROPE

Stolen bonds hurt confidence in Russia

By Chrystia Freeland in Moscow and Nicholas Denton in London

Western investors, inspired by opinion polls predicting a victory for Russian President Boris Yeltsin in Sunday's ballot, have pushed Russian securities to new highs in recent weeks. But the suspension of up to \$100m in government bonds revealed this week suggests that even if Mr Yeltsin keeps the communists at bay, Russia will remain a perilous place for foreign businesses.

Bringing Chechen bandits and Moscow detectives together against the wild background of Russia's fledgling market economy, the tale of the frozen bonds could form the plot of a post-cold-war thriller. According to police documents, in June 1994 at least \$1.29m worth of Russian government bonds were sold to a person purporting to be an agent for the Chemical Factory in Grozny, the now rubble-strewn capital of the breakaway Chechen republic.

The bonds were never registered at the factory and are believed to have been stolen. But for nearly two years they were freely traded, some of them winding up in the coffers of the world's most venerable investment banks, including Credit Suisse, Citibank and Salomon Brothers.

These brave pioneers of the Russian capital markets received an unwelcome surprise this spring, when Vneshtorgbank, the custodian of their government bonds, informed them that some of their bonds were stolen property and had been frozen pending an investigation by the Ministry of the Interior.

At least \$1.29m of the suspended bonds are, according to Russian police, part of the Grozny Chemical Factory scam. But, to the added consternation of the western investors affected by the case, they have been offered no clear explanation of the story behind the freezing of an additional \$27m-worth. Worse still, the investors have no guarantee they will not receive further notices that more of their bonds are, in fact, stolen. Some observers estimate the total sum of stolen bonds, including those held by Russians, could be as high as \$100m.

The embroglio, known to market participants but hitherto unpublicised, has already put a damper on the Ministry of Finance bonds market. But bankers say their greater concern is that the case might more broadly erode trust in the Russian government and the securities it issues.

"So many guys who traded with us used to just come into our office with briefcases and plastic bags bulging with bonds," said a Moscow-based western trader.

Frustrations have been compounded by the Russian authorities' un-cooperative attitude. Bankers have been bounced between Vneshtorgbank, the government payment agent Vneshekonombank, the Ministry of Finance and the Ministry of the Interior.

Some investors were hopeful that, when the Kremlin realises its creditworthiness could be at stake, it will quickly resolve the problem. One London-based financier keen to play down the the affair said: "I don't think it is in the industry's best interests to have alarmist stories. The volume of hysteria is amazing."

But it may be stretching human nature a bit far to expect bankers to keep calm about a story involving Chechen thieves, Russian police and their own money.

Karstadt chief sees need for cost cuts despite sales rise

Mr Walter Deuss, chairman of Karstadt, the German retailer, said sales in the five months to May reached DM11.2bn (\$7.3bn), up 4.3 per cent from the year-earlier level, AFX News reports from Essen. He said parent company sales rose 1.4 per cent to DM4.68bn, but added that department store sales edged down 0.7 per cent.

However, he warned retail sales would remain flat in 1996, without disclosing further figures. He attributed the weak retail sales growth to the continuing sluggish economic expansion and a depressed consumer climate. He expected sales to rise 2 per cent in 1996.

Mr Deuss expected the company to post a better net profit in 1996 compared with last year's DM109m. But Mr Deuss declined to comment on the size of improvement for this year. He added that in the first four months of this year, net profit was better than the year earlier period.

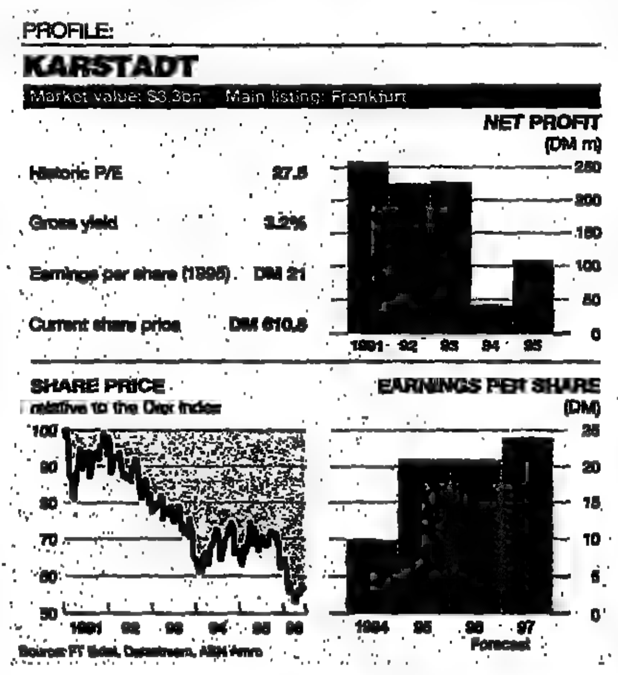
However, Mr Deuss said the company could increase 1996 operating profit "only through cost cuts". He said the last three months of the year would be decisive for the growth. Mr Deuss said he did not rule out job losses and sales of property as part of the cost-cutting programme.

"The cost cuts we will make this year are part of a gradual process, and we are looking at all possibilities," Mr Deuss said. He declined to comment on the company's strategy for the next five years. "I am no prophet," he said.

Mr Deuss said investment in 1996 would be be largely in line with the DM865.9m invested in 1995. He also said that charges for Hertie's restructuring would be about DM80m in 1997, unchanged from the current year.

Mr Deuss said he expected Hertie to break even in 1997 after reporting a net loss of DM118.9m in 1995.

Retail sales were DM6.7bn, down 2.9 per cent, while mail order sales were DM1.6bn, up 5.5 per cent. Group investment, adjusted for divestments, fell from DM4.44bn to DM865.9m.



Crédit Foncier auditors qualify annual accounts

By Andrew Jack in Paris

The auditors to Crédit Foncier de France, the troubled specialist property bank, yesterday provided a highly unusual qualification to the 1995 annual accounts circulated to shareholders, which highlighted the complexity of the bank's restructuring.

Robert Mazars and Caillau Dedouit et Associés, the two auditing firms employed by Crédit Foncier, said in their report that they were unable to quantify the impact of a series of different elements which explained the bank's FFr13.6bn (\$2.61bn) in new provisions.

They also said they were unable to state that its continued operation was guaranteed, because the bank had negative equity of FFr2.5bn and a solvency ratio of 0.5 per cent, well below the internationally accepted regulatory minimum.

Their comments came as the French government continued to discuss a series of rescue options, including a possible takeover ahead of a deadline of the end of July set by the minister of economics and finance

Mr Philippe Lafayette, head of the state-backed Caisse des Dépôts et des Consignations, did not rule out yesterday his involvement in such an operation. He said it was possible he could offer support as long as it did not affect his institution's profitability and did not involve acquiring property assets.

Crédit Foncier reported losses of FFr10.8bn for 1995 after taking substantial provisions from changing its accounting policies, reducing its property assets to current market values and allowing for future costs against some of its loans which it judged unlikely to be recovered.

The auditors said they were unable to provide a financial break-down of how much of the provision was the result of these accounting changes and how much due to new degradations in the property market during the year.

Montedison questioned over group strategy

By Andrew Hill in Milan

Italian fund managers yesterday called on directors of Montedison, the industrial holding company, to explain how they intended to make the most of the group's potential, and end alleged conflicts of interest with Ferruzzi Finanziaria (Ferfin), Montedison's main shareholder.

The comments at yesterday's shareholders meeting were the latest indication that minority investors expect more from Montedison now it has returned to profit.

Mr Enrico Bondi, chief executive of Montedison and Ferfin, rejected the criticism, pointing out that the group's size and geographical spread meant it was strongly positioned in all its main activities of agribusiness, chemicals and energy.

He said the fact that Montedison and Ferfin, which owns about 30 per cent of the industrial group, shared some of the same senior management had not led to conflicts of interest. Montedison enlarged its board by appointing four new members, replacing two outgoing directors.

Last month, Codelouf & Co, a Gibraltar-registered fund which owns 4.8 per cent of Montedison, wrote to directors proposing the company should be broken up to realise more value for shareholders. Mr Luca Padulli, the Italian financier who runs Codelouf, later made clear that he had acted alone and he did not speak at yesterday's annual meeting.

Instead, large Italian funds such as Prime, which is part of the Fiat group, and Finanza & Futuro, controlled by Deutsche Bank, questioned the board's future strategy. They also attacked last year's attempt to merge Ferfin with Gemina, the investment company. Under the plan, later abandoned, certain chemicals subsidiaries of Fiat would have been transferred to Montedison.

Mr Bondi said the board was firmly committed to the current structure. "This group is a very strong industrial machine."

NEWS DIGEST

Bayer denies plan to spin off drugs arm

Bayer, the German drugs and chemicals company, yesterday sought to damp speculation that it was planning to spin off its drugs business into an alliance with another producer. "Substantive talks with potential partners are not taking place," the group said. Until the beginning of last year, Bayer was committed to a future as a fully integrated company. However, it has since said it is "open to all strategic options", in order to give it maximum flexibility in making drugs acquisitions.

At a London conference this week, Mr Helmut Loehr, chief financial officer, said one option under consideration was to establish the drugs business as a 100 per cent owned subsidiary, so that it remained part of the group, but could form its own strategy. "In such a scenario, a subsequent merger with an outside partner is conceivable," he said, but Bayer would only be interested if it retained control.

Analysts attending the conference interpreted this as ruling out any alliance in which Bayer owned less than 60 per cent of the business. Any merger would also need to be friendly, Mr Loehr said, and complement Bayer's product range and geographical spread. The company had not identified any candidates that met these criteria, he added.

Jenny Luesby

Ahold short of expectations

Ahold, the Dutch retailer, said net profits for the 16 weeks to April 21 rose 16.3 per cent from Fl 119m to Fl 138.4m (\$80.5m). The results were below expectations. Earnings per share rose from an adjusted Fl 0.99 to Fl 1.11 on sales up from Fl 8.56bn to Fl 9.48bn. Operating profits increased from Fl 233m to Fl 274m. Ahold confirmed it expected consolidated net profits for 1996 would further increase.

"Expectations are that the announced acquisition of the US supermarket company Stop & Shop and the related share issue will be completed in the course of 1996. Earnings per share are expected to be higher in 1996 than in 1995, although the acquisition will initially have a significant but acceptable negative impact on the equity ratio," it said.

AFX News, Zaandam, Netherlands

Cofinec offering oversubscribed

Cofinec, the central European packaging group, has raised more than \$80m in a global share offering that was more than eight times oversubscribed. The group, which was created seven years ago by Mr Stephen Frater, a former Wall Street investment banker, is registered in Paris, where it also has its operational headquarters, and has manufacturing operations in Hungary, the Czech Republic and Poland.

The offering was priced yesterday at FFr220 (\$42.24) per share or Global Depositary Receipt, which gives the group a market capitalisation of about \$130m. The GDRs will be listed on the Luxembourg stock exchange by June 20 and by the end of July on the Budapest stock exchange, where Cofinec will become the first non-Hungarian company to be listed.

The offering, which represents 76 per cent of the group's enlarged share capital, comprises 1,415,984 existing shares and 920,000 new shares. Existing shareholders selling their stakes include Cerus, with a 45.8 per cent stake, and the European Bank for Reconstruction and Development, with 8.6 per cent.

About 95 per cent of the offering has been allocated to international investors with just under one-third bought by specialist emerging market funds and more than two-thirds acquired by mainstream institutional investors. About 5 per cent has been allocated to the Hungarian market.

Kevin Done, East Europe Correspondent

COMPANIES AND FINANCE: THE AMERICAS

Microsoft steps up intranet war

By Louise Kehoe in San Francisco

Microsoft yesterday unveiled plans to combine its top-selling personal computer software products with Internet technologies to enable businesses to build intranets, internal networks based on Internet standards.

Intensifying its marketing battle with Netscape Communications, the current Internet software leader, Microsoft said that it would make intranets the main focus of its business software products.

"Six months ago, Microsoft promised the world that it was hard-core about the Internet ... today, we're making the same promise to our customers about the intranet," said Mr Bill Gates, Microsoft chairman and chief executive. Microsoft is "merging the best of the Internet and the best of the PC," said Mr Gates. "Intranets will have an immediate and dramatic impact on businesses over the next few years," he predicted, by enabling office workers to find and share information more efficiently.

Mr Gates and other senior Microsoft executives, speaking at a company conference in San Jose, California, outlined the company's strategy to claim leadership in the emerging intranet software market and demonstrated several products that are scheduled for introduction over the next few months.

Microsoft previewed, for example, new versions of Windows, its widely-used PC operating systems, with built-in Internet browser software. Users will be able to search for information stored either on internal networks or on the global Internet.

The company also demonstrated Windows NT Server, with built-in tools for authoring and network management, and a search server for document searching.

It also showed Office 97, a new version of its set of desktop applications, that includes technology for publishing and searching information in the form of Web pages.

However, Netscape launched a pre-emptive strike against Microsoft by publishing its own intranet vision, via its Internet pages, describing the next-generation versions of its Navigator browser program and its Suite Spot software for the World Wide Web.

The company announced that 92 of the top 100 companies in the US already used Netscape software.

Netscape claims Microsoft's intranet technology forces users to adopt other Microsoft products, in particular its Windows operating system. Netscape's software, in contrast, works with operating systems from several vendors, including Microsoft.

"We defined the intranet vision. Microsoft is trying to follow us down that path and put a proprietary tweak on it," said Mr Mike Homer, Netscape senior vice-president of marketing.

Microsoft is expected to put increased competitive pressure on Netscape. In particular, analysts expect Netscape to be forced to reduce further prices of its server products, the company's primary source of profits.

Philip Morris sees cigarette sales growth

By Richard Tomkins in New York

Philip Morris, the US tobacco and food group, yesterday predicted that its worldwide cigarette sales would increase more than 20 per cent to 1,000bn cigarettes a year by 2000, largely as a result of expansion in overseas markets. Last year's sales volume was 815bn.

Mr Geoffrey Bible, Philip Morris's chairman and chief executive, said the increase would be supported by the "high quality and unbeatable positioning" of the company's brands and the growing popularity of American-style cigarettes in general.

Mr Bible, addressing more than 300 portfolio managers in New York, laid heavy emphasis on Philip Morris's growth prospects. "Our business is in phenomenally robust shape, and our prospects have never looked better," he said.

In the US, despite the steady decline in cigarette consumption, Philip Morris's cigarette volume rose 3.1bn in the first five months and was expected to be up for the full year.

In the faster-growing international market, Philip Morris increased cigarette volume by 11.6 per cent in the first five months, and Mr Bible said he expected margins to continue their improvement.

Mr Murray Bring, Philip Morris's general counsel, said the company was optimistic about the outcome of litigation pending against Philip Morris, especially after the Fifth Circuit's recent decertification of the Castano class action suit.

The shares rose $1¼ to $105 in early trading.

Consortium takes control of Brazil car parts group

By Jonathan Wheatley in São Paulo

A consortium formed by component makers Mahle of Germany and Cofap of Brazil, and Bradesco, Brazil's biggest private bank, has taken control of Metal Leve, one of Brazil's biggest makers of automotive components.

The deal reflects the trend towards global purchasing in the automotive industry and will produce a group with annual sales estimated at more than $1bn.

"On its own, Metal Leve did not have the capacity to become a global player in the parts industry," said Mr José Mindlin, one of Metal Leve's founders and controlling shareholders.

"We decided to sell because we were not interested in a minority holding. But the deal will allow Metal Leve to grow, irrespective of its ownership," he said.

The size of the deal was not disclosed, but is estimated at $65m-$80m. Mahle acquires 50.1 per cent of voting capital, Cofap 33.1 per cent and Bradesco, which was already a minority shareholder, 15 per cent. Final payment and transfer of shares will take place on June 26.

The deal is the latest episode in the restructuring of Brazil's automotive parts industry, which has seen a series of closures, mergers and acquisitions in the recent past. Consolidation of the has been driven by the opening of the country's market in the 1990s. There are about 1,000 companies in the industry; analysts expect that number to fall to about 200 by the end of the decade.

"This is part of the consolidation of the Brazilian industry over the past two years," said Mr Guilherme Lins, vice-president in Brazil of investment bank J.P. Morgan, which co-ordinated the deal. "All three companies have sizeable export activities and these will continue, but Mahle's capital resources will give them real global reach."

Mahle, one of the world's biggest makers of pistons, has been manufacturing in Brazil since 1978. Metal Leve also makes pistons; Cofap makes cast parts including cylinder blocks and piston rings. Analysts said the deal offered manufacturing synergies.

The three companies are expected to continue to operate as separate entities.

Disney blasts Baptist boycott

By Christopher Parkes in Los Angeles

Walt Disney yesterday issued an unusually strong challenge to a call for a boycott of its films, products and theme parks from the largest protestant church in the US.

The company questioned the values of the 15.6m-member Southern Baptist sect, which boasts of defending American virtues but which apologised for its 150-year history of die-hard racism only a year ago.

The boycott call came at a church convention on Wednesday, and signalled anger at Disney's pioneering move last year to extend company health benefits to the partners of its homosexual employees.

"We find it curious that a group which claims to espouse family values would vote to boycott the world's largest producer of wholesome family entertainment," Disney riposted. "We question any group that demands we deprive people of health benefits," it said.

In response to the church's condemnation of its alleged – and denied – promotion of "gay and lesbian nights" at its theme parks, Disney said it knew of no tourist destination in the world which denied access to people because of their sexual orientation.

The brisk rebuttal suggests Disney was both irritated by the continued sniping, and emboldened by signs of a split within the church. The boycott resolution was introduced from the floor of the conference after a committee had deleted it because it might make the sect look foolish.

Disney, which initially refused to comment, has drawn the attention and fire of the religious right on several occasions recently, although there has been no discernible effect on its revenues.

The group, which maintains its historic claim to being leader in family entertainment, was widely imitated in the entertainment industry after it introduced its health benefits.

It this week licensed a 4,000-member Rio de Janeiro samba school to use Disney characters in next year's carnival on condition that all the women dancers kept their blouses on.

Card issuers go to work at the bank

American Express's attack on Visa signals a shifting battleground

Harvey Golub, President, American Express

It may not quite be David against Goliath, but American Express's pugnacious attack in recent weeks on its bigger rival, Visa International, has turned into one of the more intriguing head-to-head battles in the financial services industry.

Last month, an American Express complaint prompted a senior European Union commissioner to rebuke Visa, a non-profit making organisation owned by banks, over a proposed rule that would have prevented banks in Europe from issuing its rival's cards.

Now the US financial services group has succeeded in taking the battle onto its home turf. The US Justice Department, while not commenting on the specific focus of its interest, says it is looking into "competitive issues involving the prohibition of certain joint ventures in the credit card industry". That seems to point directly to the same Visa rule, which has been in force in the US for some years.

News of the Justice Department's interest follows close on the heels of a Visa International board meeting, at which the payments group decided not to overhaul the rule, but rather to leave it to its regional boards to decide.

American Express's attack signals a shift in the plastic card industry battleground. For years, the US group pursued a policy of splendid isolation, relying on its own infrastructure, sales channels and brand. Banks were the enemy.

Just how far the ground has shifted became clear last month, when Mr Harvey Golub, American Express's chairman, appealed directly to US banks to consider issuing his company's cards.

That about-face follows a recent series of other moves that have seen Mr Golub move American Express from its traditional, stand-alone policies. This year, for instance, it has started to issue co-branded credit cards – yesterday it announced a deal with Sheraton, adding to agreements already reached with Delta and Hilton Hotels. Mr Golub has also started to push the American Express brand into new financial advisory and investment businesses.

It is not difficult to see why. After it ran out of steam in the early-1990s, Mr Golub may have brought growth back to American Express, but the company is still losing market share in the payments industry. Between 1992 and 1995, global spending on Visa cards jumped three-quarters to $778bn. That is double the rate of growth at American Express: spending on its plastic climbed 37 per cent in the same period, to $162bn.

Mr Golub's overtures to banks in the US have drawn enquiries from 40, and there are "a lot of conversations going on with banks in other countries", American Express says. In the short term, though, its assault on Visa may yield more of a publicity victory than any real business gains. Most Wall Street analysts do not expect the group's attempts to develop a new distribution channel through banks to have much effect on its earnings in the short term.

Also notable is the fact that the intensification of the Visa/American Express battle comes amid a new splurge of credit card spending in the US, and a sharp increase in bad debts.

The American Bankers Association reported this week that the credit card delinquency rate (the proportion of loans that are more than 30 days overdue) rose above 3.5 per cent during the first quarter of this year, its highest level since the final months of 1981. And Moody's Investors Service, the US rating agency, said it expected a continuing decline in credit quality for the rest of the year, despite recent moves by credit card issuers to tighten lending standards.

The increase, though notable, may not spell immediate credit quality concerns at US banks and other card issuers. "There are so many small loans, and lending is so diversified, it's hard to see consumer lending bringing down a bank," says Mr Bill Isaac, a former head of the Federal Deposit Insurance Corporation.

Nevertheless, the greater competition between card issuers has already started eating into the profitability on cards, reducing the margin for error. According to Mr George Salem, an analyst at Gerard Klauer Mattison, the return on assets in a typical credit card business is now about 1.5-2 percentage points – higher than the return banks earn in most other areas, but down from a high of 2.5-3 points.

A collapse in credit card profit margins has long been predicted. Now, a further uptick in bad debts could make this business less profitable than banks' other businesses, prompting a wholesale retreat by less profitable banks, Mr Salem says.

For now, though, there is little indication that US banks have less appetite for credit card lending. Credit card loans have topped $1,000bn for the first time and continue to rise. All of which suggests that the battle for market share in US plastic card business – and the war between Visa and American Express – is likely to get a lot more intense.

Richard Waters

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NEWS DIGEST

Metway directors back St George bid

Directors of Metway Bank, the Brisbane-based regional bank, said yesterday they were recommending that shareholders vote in favour of an increased A$820m (US$649m) bid from Sydney-based St George Bank, rather than support the Queensland state government's plan for a regional financial services powerhouse. The rival proposal would see Metway merge with Suncorp, the state-owned insurance group, and Queensland Industry Development Corporation. This combined entity would have assets of around A$21bn and be Australia's fifth-largest financial services group.

But Metway directors also acknowledged that the St George offer could be rejected by National Australia Bank, the country's biggest commercial bank, which has snapped up just over 25 per cent of Metway's series 1 preference shares, and is in a position to block the deal. They described such a move by NAB as "reasonably likely".

NAB, which owns banks in New Zealand, the US and the UK, had been seen as a possible bidder for St George and acquired a small stake in the bank earlier this year. It appeared surprised when St George announced its bid for Metway – a move which would put St George out of NAB's reach because of competition rules covering the banking sector. Metway stressed that it had taken no action to terminate the state government proposal, although it acknowledged that St George represented "the better offer".

Nikki Tait, Sydney

Campbell cool on Arnott's

Mr David Johnson, the Australian chief executive of US-based Campbell Soup, said there were no immediate plans for the US food manufacturer to raise sharply its stake in Australia's Arnott's group. "We're not looking at it at all, I'm not even considering it," he said in Sydney yesterday. Campbell fought a heavily-contested bid for Arnott's, the Australian biscuit and snacks manufacturer several years ago, winning control but failing to reach to a level where it could automatically buy out minority shareholders. Since then, it has regularly exercised its right under Australian corporation laws to increase its stake by three percentage points every six months. Its holding now stands at 70 per cent.

Nikki Tait

Japanese balances improve

The balance between non-operating profits and losses at Japanese companies for the latest fiscal year ended March 31 1996 improved for the first time in two years, although it remained in the red, a research arm of Wako Securities reported yesterday. Wako Research Institute said combined non-operating losses at 1,122 companies listed on the first section of the Tokyo Stock Exchange exceeded non-operating profits, leaving a combined net operating loss of Y2,615bn ($23.88bn) in the fiscal year. But the size of the combined loss narrowed from a year-earlier loss totaling Y3,096bn, the institute said. Wako said banks, brokerage houses and insurance companies are not included in the statistics.

AP-DJ, Tokyo

Foster's lifts bid for Rothbury

Foster's Brewing, the Australian brewer, yesterday raised its offer for Rothbury Wines, to 70 cents a share, against 67.5 cents previously, winning an recommendation from directors and ensuring control of its target. The offer values the winemaker at about A$40m. Foster's moved into wine earlier this year when it acquired Mildara Blass, the largest listed wine producer. Through Mildara, it then intervened in the bid battle for Rothbury, and recently saw the rival suitor, BRL Hardy, withdraw. Mildara said yesterday that it controlled 50.2 per cent of Rothbury.

Nikki Tait

■ Asia Cement, of Taiwan, said its May pre-tax profit fell from T$447m a year earlier to T$285m (US$10.27m). Pre-tax profit in the five months to May fell from T$2.05bn to T$1.43bn.

Ms Sophia Chen, an analyst with BZW Asia-International, said that despite a significant fall in pre-tax profit, Asia Cement's operating income grew at a double-digit pace both in May and in the January-May period. She said the higher 1995 profit reflected gains from non-core business. Cement sales were expected to increase in the second and fourth quarters.

AFX-Asia, Taipei

Colonial Mutual gets go-ahead for transition

By Nikki Tait in Sydney

Plans by Colonial Mutual, the Melbourne-based life insurer, to demutualise later this year were given approval "in principle" yesterday by Mr Peter Costello, Australia's federal treasurer. The company has a large number of policyholders in the UK and New Zealand.

Under a demutualisation scheme, an insurance company belonging essentially to its policyholders turns itself into a conventional shareholder-owned company. Policyholders are usually allocated shares in the new entity.

The regulatory position at Colonial Mutual – with assets of about A$34bn (US$27bn) and about half its 750,000 policyholders in the UK - is complicated, because it owns the State Bank of New South Wales.

As Mr Costello said yesterday, Australian government policy has usually been to prohibit banks from being owned by holding companies, except where the holding companies are Australian-based non-mutual life companies.

It was the need to comply with this requirement which formed one of the reasons for Colonial's demutualisation plan. However, the insurer now wants to make the transition by creating a new holding company structure which would cover both the bank and insurance arms – rather than have the insurance business own the bank.

Mr Costello said he would agree to this, but the government would introduce new legislation to regulate the holding company and that "Colonial Mutual group will be subject to this legislation".

But such legislation would await the findings of the broad-ranging inquiry into Australia's financial services industry which the treasurer set up last month, and which is due to report by next March.

Colonial plans to put the demutualisation scheme to policyholders at an extraordinary general meeting in November, and list on the stock exchange in 1997.

● Australian stockbroking firms have been allocated 22.5 per cent of the shares being offered for sale by Australia's federal government in Commonwealth Bank, the Australian commercial bank. These allocations cover 90m shares, of the 399m being sold. The 399m shares represent a 50.4 per cent interest in the bank, and comprise all of the government's remaining holding.

PAL wins $200m loan for modernisation

By Edward Luce in Manila

The Philippines' national carrier plans to spend $3.2bn overhauling its ageing fleet

Philippine Airlines, the loss-making flag carrier, secured a $200m loan from a consortium of local banks yesterday – its first significant borrowing since a share dispute two years ago.

The loan, the first of a series totalling $3.2bn for an overhaul of the airline's ageing fleet, was made possible by a supreme court ruling two weeks ago.

The court threw out a petition by the Bank of the Philippine Islands, a minority shareholder, which sought to prevent Mr Lucio Tan, chairman of PAL, from taking majority control of the airline. The decision will enable the carrier to carry out a long-awaited doubling of its capitalisation, to 10bn pesos ($381m). PAL made a loss of more than 2bn pesos for the year ending March 31.

"The ruling permits us to go ahead with the recapitalisation of PAL and with its modernisation," said Mr Andrew Wang, vice-president of corporate finance. "With the share dispute over we can now get on with the business of restoring PAL to profitability."

Mr Tan, a leading Chinese-Filipino businessman who had been in dispute with government minority shareholders over the airline, will be given pre-emptive rights to buy up to 100 per cent of the 5bn peso capital injection, taking his direct stake in the airline to well above 50 per cent.

Yesterday's loan, led by Allied Banking, also owned by Mr Tan, will go towards the $3.2bn programme to acquire 12 Airbus 320-400s, eight A330-300s and seven Boeing 747-400s. Most of the remaining loans will be secured at favourable rates from the US Export-Import Bank and its European counterparts.

As part of its strategy to return to financial health, the airline is also lobbying the government to change domestic regulations. Under the recently liberalised market rules, PAL is obliged to maintain services on unprofitable domestic routes while its emerging competitors are not.

The government allowed Mr Tan pre-emptive rights in the share issue (expected over the next three months) on condition that it could oblige Mr Tan to buy its minority stake in PAL in five years, should the airline continue to lose money.

Mr Tan, a controversial figure who recently won a separate supreme court case which – if it had gone against him – would have allowed the government to prosecute him for alleged tax evasion, has expressed confidence he can turn the airline around.

Murdoch steps into the Japanese limelight

JSkyB will have to tailor its output to the local market, writes Michiyo Nakamoto

Rupert Murdoch is not exactly a familiar figure among the Japanese public. But plans announced this week by News Corporation, the international media group he heads, to start a digital multi-channel TV service in Japan have thrust him into the limelight. The Japanese press has proclaimed that the "world media king" is arriving on Japanese shores.

News Corporation's plan to launch JSkyB, a service with at least 100 channels at the start, and become a leading force in the Japanese market, has been heralded as the start of a new era of competition in broadcasting.

"It is a sign of the times," says an official at the Ministry of Posts and Telecommunications, which oversees the broadcasting industry and which has been particularly keen to promote the development of new information services.

Rapid developments in technology and market deregulation have been leading to an unprecedented expansion of TV services in other industrialised countries. The Japanese public, and not least the broadcasting authorities, have, however, been watching these developments with growing unease as Japan seemed increasingly to be left behind.

But Mr Murdoch's ability to play a big part in Japanese media will depend to a great extent on his ability to woo suspicious Japanese broadcasters into playing to his tune.

There was no doubt in Tokyo this week that News Corporation, with interests ranging from Twentieth Century Fox movies to HarperCollins publications, would be a formidable competitor.

"The fast pace of [Mr Murdoch's entry into Japan] means we will be hard pressed to keep up with him," an official of PerfecTV, a Japanese company which will start supplying services for about 70 new digital channels this autumn, reportedly commented.

It is unlikely that Hollywood movies or the exclusive right to broadcast live English premier football league games, which the company holds, are in themselves going to help News Corporation much in Japan.

New Hollywood movies are, however, one thing Japanese consumers are willing to pay to watch on TV, according to WOWOW, a satellite broadcaster. It discovered that 80 per cent of those viewers it surveyed said they would be willing to pay to watch new movies.

As a result of that study, 50 per cent of WOWOW's programmes are movies. Nevertheless, it took the company five years to make a profit and top 2m subscriptions.

The Japanese public has been accustomed to a wide variety of programming on terrestrial TV which is widely available and free. That environment has made it extremely difficult to convince people to pay, the WOWOW official says.

Furthermore, competition to supply movies on TV is already intense. In addition to the films available on WOWOW, News Corporation is already providing satellite movies on Star Plus, its 24-hour Japanese language digital channel, and will start a 24-hour movie channel, Star Movies, in December.

The two other multichannel services being planned, PerfecTV and DirecTV, are also expected to provide movie channels.

JSkyB's success depends on how it can differentiate itself from existing multi-channel services, particularly as it is expected to be the last of three new services to begin broadcasting. PerfecTV is aiming to start services this autumn while DirecTV, backed by Hughes Electronics and Matsushita, the Japanese consumer electronics group, is launching services next year.

"In the UK, sports programming was enough to propel [BSkyB]. But in Japan, I can't see that that will make it a must-buy product," comments Mr Paul Smith, industry analyst at James Capel in Tokyo. Mr Murdoch is unlikely to win the right to broadcast sumo – a privilege reserved for NHK, the public broadcaster – or national baseball, which are two sports events that could build interest, he says.

Mr Murdoch clearly understands the critical importance of programmes tailored to the Japanese market. "Japan is a unique market and the variables are very different to those experienced in the US and Europe," he noted in Tokyo this week.

He made clear that he was counting on Japanese suppliers to provide most of the programming. "It is Japanese programmes that will be the true drivers," he said.

For independent programme producers, the launch of multi-channel broadcasters such as JSkyB provides attractive opportunities. Japanese film companies, such as Shochiku or Toei, which has 45 per cent of the market for prime-time TV dramas, might also be interested, points out Mr Smith at James Capel.

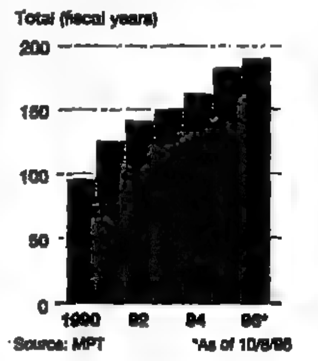
But it is the terrestrial broadcasters, the single largest providers of TV programmes in Japan, which Mr Murdoch wants to entice to his scheme. "News Corporation accepts the importance of the Japanese terrestrial broadcasters and will, over all else, create an environment where the terrestrial broadcasters are able to provide programming. It's a win-win situation for everyone," he said.

So far, the broadcasters' response has been cautious. "We do not know what kind of co-operation Mr Murdoch is looking for, so we cannot comment," says a representative of NHK.

Japanese terrestrial broadcasters are unhappy that they are being forced to give up a cosy arrangement under which they have long been protected by stringent licensing rules. "Unless the MPT exercises some form of moral persuasion and says it is a government priority to move into the digital age, I'm not sure they'll do it of their own volition," Mr Smith believes.

But Mr Murdoch is renowned for his capacity to take the long-term view – and that is likely to serve him well in his latest venture.

Cable TV operators



Source: MPT *As of 10/6/96

Average TV viewing per person in Kanto area (Eastern Japan)

Average hours	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
[illegible]	[illegible]	[illegible]	3.47	3.48	3.55	3.54	3.57	4.06	4.15	4.07
Weekday	3.42	[illegible]	3.37	3.37	3.47	3.46	3.46	3.57	4.06	3.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.05	4.05	4.01	4.17	4.21	4.24
Sunday	4.21	4.27	4.27	4.33	4.34	[illegible]	[illegible]	4.49	4.57	4.56

Source: Dentsu Institute for Human Studies

EUROPE FOR SALE: THE PRIVATISATION ERA

Pace of state sell-offs stepped up

The pressures of European single currency criteria are pushing governments ever harder to raise money to reduce fiscal deficits

The sale in November this year of a minority stake in Deutsche Telekom, Germany's giant telecommunications company, is expected to raise more than DM15bn ($9.8bn), constituting one of the world's biggest share offers. But, according to a new study, published this month, the deal will be simply one of a number of giant privatisations in the pipeline over the next five years.

Overall, according to the report by Morgan Stanley, the US investment bank, western European governments are set to sell off assets worth between $250bn and $300bn over the next few years, more than doubling in nominal terms the amounts raised from privatisation since 1981.

The report says that the sale of shares in companies that are already partially in the private sector will generate $150bn. Sales of companies that are still wholly state-owned could produce a further $150bn.

The financial pressures under which most European governments are operating, ahead of the introduction of the single currency in 1999, will be one of the main factors driving privatisation, says the report.

While the UK has been the biggest privatiser to date, accounting for over half of the £186bn ($285.4bn) raised since 1981, two countries which are under particular pressures to reduce their fiscal deficits in order to meet the Maastricht criteria for monetary union – France and Italy – are expected to head the list of privatisers.

France, which sold off some $11.75bn in 1994 and $4.46bn in 1995, is expected to sell assets equal to a further 8.3 per cent of its equity market capitalisation, for example. Italy, which has sold more than $11bn of assets in the last two years, could sell an amount equal to nearly 20 per cent of its market capitalisation, says the report. The sale of its oil and gas company, Eni, is the biggest single sell-off specifically identified by the report, with proceeds expected to reach $32bn.

Europe: Total Privatisation, 1985-95

	$m total
Austria	2,961
Denmark	3,593
Finland	1,925
France	34,102
Germany	2,807
Italy	16,971
Netherlands	9,250
Portugal	5,304
Spain	8,255
Switzerland	4,175
UK (since 1977)	96,692

Source: Privatisation International, Morgan Stanley Research

These same pressures are also leading to an increase in the list of companies and sectors considered suitable for privatisation. In the early years, the largest sales were of companies in sectors exposed to international competition, such as oil and gas and airlines. In 1985, for example, more than half the $4.15bn raised was from these two sectors.

More recently, the list has been extended into sectors that for various reasons are politically sensitive – highly regulated industries such as electricity generation and distribution, and telecommunications.

"What was a sacred cow one year may not be in years to come," it argues.

Although western European governments still have a long list of banks which they want to sell, the largest privatisations relative to the size of the existing market capitalisation of their sectors are expected to take place in telecommunications, transport and utilities. The size of market capitalisation of telecoms companies could increase by 30 per cent, of utilities by 10 per cent, and of transport by a further 30 per cent.

Most western European countries operate toll-free and state-run motorways which could be sold. The majority of railways are still publicly-owned, as are most airlines and airports.

Total Sector Privatisation in Europe, 1985-95

	$ million
Airports and Airlines	9,140
Banking	22,472
Chemicals	5,444
Electrical Equipment	1,864
Electricity	26,033
Insurance	9,615
Metals and Capital Goods	11,329
Oil and Gas	32,651
Paper and Packaging	1,474
Pharmaceuticals	1,284
Telecoms	40,579

Source: Privatisation International, Morgan Stanley Research

"As we near the end of the privatisation pipeline we could well end up with a list of privatisation candidates that prove to be more controversial than in the past. After all, many people still have an emotional attachment towards their national airlines and may feel uncomfortable if it is owned by a foreign carrier," says the report.

Additionally, many public monopolies in these sectors are generally considered to be overstaffed, providing cause for fierce opposition from trades unions. "The road to privatisation is more than likely to result in an increase in the number of redundancies and unemployed as companies attempt to regain competitive advantage," says the report.

It is possible that these kind of pressures could be particularly acute in smaller countries, where the size of future privatised issues dwarf the existing market and play a particularly important role in the economy.

The sales of Portuguese companies like Portugal Telecom, which is expected to raise more than $11bn, could more than double the Portuguese market's capitalisation. Austria could sell an amount equal to 41.7 per cent of its market capitalisation.

Outstanding Privatisation Potential as a % of Market Capitalisation

Portugal	108.4
Austria	41.7
Italy	19.6
Spain	14.6
Norway	14.4
Finland	11.1
France	8.3
Sweden	8.3
Germany	5.5
UK	0.9

Source: Morgan Stanley Research

Governments could face difficulties in another area, too. So far the shares of privatised companies have not performed particularly well and they may need to do more to persuade small retail investors and large foreign investors to buy the stock on offer. French and Italian issues have both consistently underperformed since 1990, while the performance of UK issues has also lagged the rest of the market since 1994.

"Taken as a whole . . . the investor has been a loser more often than he has come out on top," says the report. For that reason, arrangements giving retail investors some protection against a downward movement in prices are likely to figure prominently in European privatisations.

The Spanish government provided protection for investors in Repsol, the energy company, and Argentaria, the banking group, guaranteeing investors against a certain level of loss through the use of simple derivatives.

In addition, governments may have to market their issues more aggressively to foreign investors, especially as they will compete for attention with issues in eastern Europe, eastern Asia and elsewhere.

Richard Lapper, Capital Markets Editor

Performance of privatisation issues since first listing

Country (Currency)	Company	Annualised Performance (%)	Country (Currency)	Company	Annualised Performance (%)
France	Roussel Uclaf	137.8	Ireland	Irish Life	10.3
Spain	Telefónica de España	68	France	Crédit Commercial de France	9.9
Sweden	Nordbanken	64.5	UK	British Petroleum 2	9.8
UK	Forth Ports Authority	58.7	UK	Scottish Power	9.3
Austria	AMS Austria Mikro Systeme	54.9	UK	National Power (Gencos) 2	8.8
Austria	Flughafen Wien 2	54.5	Germany	Lufthansa	8.7
Austria	Böhler-Uddeholm	46.6	France	Saint-Gobain	8.5
Austria	Voest-Alpine Stahl (VA Stahl)	44.1	Italy	SIRTI	8.5
Austria	AMS Austria Mikro Systeme 2	42.5	UK	British Aerospace 2	8.5
UK	Seeboard (REC)	36.6	UK	British Telecom (BT)	8.3
France	Seita	35.7	UK	Enterprise Oil	7.9
Ireland	Irish Life	33.4	Finland	Finnair 2	7.2
Netherlands	Koninklijke PTT Nederland (KPN) 2	33.2	UK	Scottish Hydro Electric	7.1
Finland	Outokumpu	32.7	Netherlands	DSM	6.6
Sweden	Stadshypotek AB	32.3	UK	British Petroleum 4	6.5
UK	Midlands Electricity (REC)	31	Norway	Christiania Bank	6.4
UK	South Wales Electricity (REC)	30.5	Italy	Istituto Nazionale Assicurazioni (INA) 2	6.2
Denmark	Copenhagen Airports	30.2	Norway	Raufoss	5.6
Italy	Stet (Società Finanziaria Telefonica) 2	28.4	UK	PowerGen (Gencos 2)	5.6
UK	Yorkshire Electricity (REC)	28.4	Italy	Istituto Mobiliare Italiano (IMI)	5.5
UK	Southern Electric (REC)	28	Norway	Den norske Bank (DnB)	5.3
Finland	Neste	27.6	Netherlands	DSM 2	5
Sweden	Celsius	26.1	UK	British Steel	5
UK	Associated British Ports Holdings	26	France	Société Générale	4
Austria	VA Technologie	25.7	UK	British Gas	4
UK	Northern Ireland Electricity	25.6	Austria	MV 2	3.9
Sweden	SSAB Svenskt Stal AB	25.4	Italy	Credito Italiano	3.9
Finland	Rautaruukki 2	25.3	UK	British Petroleum	3.8
UK	London Electricity (REC)	25.1	UK	Rolls-Royce	3.5
UK	PowerGen (Gencos 1)	24.6	Austria	VAE 2	2.5
UK	National Power (Gencos)	23.7	Finland	Outokumpu 2	2.5
UK	Northern Electric (REC)	22.8	France	Elf Aquitaine	2.1
UK	East Midlands Electricity (REC)	22.1	Sweden	AssiDomän	1.8
Ireland	Greencore	21.2	Denmark	Girobank	1.5
Austria	Flughafen Wien	21	Italy	Credito Italiano 2	1
UK	Associated British Ports Holdings 2	20.6	France	Elf Aquitaine 2	0.9
Germany	Lufthansa	20.4	France	Crédit Local de France 2	0.8
Spain	Repsol 3	19.7	Italy	Mediobanca	0.7
Finland	Finnair	18.7	Finland	Outokumpu 4	0.3
UK	BAA	18	France	Rhône-Poulenc	-0.1
UK	Cable & Wireless	18	Italy	Istituto Nazionale Assicurazioni (INA)	-0.1
Finland	Kemira	17.8	Finland	Rautaruukki	-0.5
UK	Southern Water	17.8	UK	British Telecom (BT) 2	-0.8
UK	British Airways	17.7	France	Compagnie Financière de Paribas	-1.2
Netherlands	NMB-Postbank Groep(renamed ING Bank)	17.1	Germany	Deutsche Siedlungs und Landesrentenbank	-1.2
UK	South West Water	16.9	Austria	Austrian Airlines	-1.3
UK	Cable & Wireless 2	16.7	France	Agence Havas	-1.4
Spain	Repsol 2	16.6	Austria	Austrian Airlines 2	-2.1
UK	Yorkshire Water	15.8	France	Rhône-Poulenc 2	-3.1
France	Crédit Local de France	15.3	Denmark	TeleDanmark	-4.3
UK	North West Water Group	15.3	France	Usinor Sacilor	-4.6
UK	Welsh Water	15	France	Compagnie Financière de Suez	-4.7
Austria	Burgenland Holding	14.9	Italy	Istituto Bancario San Paolo di Torino	-5.2
France	TF1	14.7	Spain	Argentaria 2	-6.1
UK	Amersham International	14.7	France	Banque Nationale de Paris	-6.4
Netherlands	Koninklijke PTT Nederland (KPN) 1	14.6	France	Banque Industrielle et Mobilière Privée	-6.8
Spain	Repsol	14.5	Finland	Valmet	-7
UK	Severn Trent	14.5	France	Renault	-7
UK	Thames Water	14.1	Finland	Rautaruukki 3	-8.2
UK	Anglian Water	14	UK	British Telecom (BT) 3	-8.5
Finland	Outokumpu 3	13.8	Austria	VAE 3	-10.8
UK	Wessex Water	12.9	Finland	Valmet 2	-12.7
UK	British Aerospace	12.7	Italy	Banca Commerciale Italiana (BCI)	-13.9
UK	British Petroleum 3	12	Austria	VAE	-15.9
UK	Cable & Wireless 3	11.8	France	UAP2	-15.9
Spain	Empresa Nacional de Electricidad(Endesa)	11.7	Austria	EVN	-17.8
France	Total	11.3	Italy	Stet	-21.9
Austria	MV	11.1	France	Banque du Batiment et Travaux Publiques	-27
Germany	Deutsche Pfandbrief-und Hypothekenbank	11	Italy	Ansaldo Trasporti	-28
Spain	Argentaria	10.7	Spain	Empresa Nacional de Celulosas (Ence)	-39.8

The table only shows those companies which have been quoted since privatisation. The table does not take account of companies which have been taken over.
Source: Privatisation International, Morgan Stanley Research

Forthcoming privatisations by sector

Company	Sector	Country	Potential value $m
Pechiney	Aluminium	France	1,100
Bank Austria	Banking	Austria	3,500
Creditanstalt	Banking	Austria	4,400
ALSK-CGER Bank	Banking	Belgium	N/AV
Merita	Banking	Finland	150
Postipankki	Banking	Finland	800
Crédit Lyonnais	Banking	France	4,000
Crédit National	Banking	France	100
Dsl Bank	Banking	Germany	150
Hamburgische Landesbank	Banking	Germany	N/AV
Landesbanks in Baden-W	Banking	Germany	N/AV
Postbank	Banking	Germany	N/AV
Banca Nationale de Lavorno	Banking	Italy	1,000
Banca Nazionale del Lavoro	Banking	Italy	N/AV
Banco di Napoli	Banking	Italy	300
Banco di Roma	Banking	Italy	1,000
Canpio	Banking	Italy	1,000
Cdr Verona	Banking	Italy	1,000
IMI	Banking	Italy	300
Monte Dei Paschi	Banking	Italy	1,000
San Paolo	Banking	Italy	1,000
Christiania	Banking	Norway	600
Den Norske Bank	Banking	Norway	1,400
BPA	Banking	Portugal	N/AV
Nordbanken	Banking	Sweden	2,500
Cimpor	Cement	Portugal	1,500-1,600
Thomson-CSF	Electronics (Defence)	France	N/AV
Austria Tabak	Food & Tobacco	Austria	N/AV
Monopoli di Stato	Food & Tobacco	Italy	N/AV
Tabaqueira	Food & Tobacco	Portugal	N/AV
Tabacalera	Food & Tobacco	Spain	880
AGF	Insurance	France	N/AV
C. Nat de Prevoyance	Insurance	France	N/AV
INA	Insurance	Italy	2,100
Outokumpu	Mining	Finland	N/AV
Olstrigaz	Oil & Gas	Austria	400
OMV	Oil & Gas	Austria	1,200
Neste Oy	Oil & Gas	Finland	1,100
Elf Aquitiane	Oil & Gas	France	1,800
Gaz de France	Oil & Gas	France	
Eni	Oil & Gas	Italy	32,000
Norsk Hydro	Oil & Gas	Norway	5,500
Statoil	Oil & Gas	Norway	N/AV
Petrogal	Oil & Gas	Portugal	N/AV
Repsol	Oil & Gas	Spain	1,100
Enso-Gutzeit	Paper & Packaging	Finland	500
Assi-Domän	Paper & Packaging	Sweden	1,500
Tank und Rast	Petrol Stations	Germany	N/AV
Phamarcia/Upjohn*	Pharmaceuticals	Sweden	2,500-3,000
Deutsche Postbank	Postal Services	Germany	N/AV
Belgacom	Telecommunications	Belgium	N/AV
Tele Danmark	Telecommunications	Denmark	6,900
Finland Telecom	Telecommunications	Finland	N/AV
France Télécom	Telecommunications	France	N/AV
Deutsche Telekom	Telecommunications	Germany	N/AV
Stet	Telecommunications	Italy	12,100
Telenor	Telecommunications	Norway	N/AV
Portugal Telecom	Telecommunications	Portugal	11,200
Telefónica	Telecommunications	Spain	4,400
Telia Ab	Telecommunications	Sweden	3,000
Austrian Airlines	Transportation	Austria	240-300
S7	Transportation	Austria	N/AV
Vienna Airport	Transportation	Austria	1400
Sabena	Transportation	Belgium	200
Copenhagen Airport	Transportation	Denmark	800
Finnair	Transportation	Finland	400-500
Air France	Transportation	France	N/AV
Renault	Transportation	France	N/AV
Airbus	Transportation	Fra/Ger	5,000
Deutsche Bahn	Transportation	Germany	N/AV
Lufthansa	Transportation	Germany	1,800-2,000.
Aeroporti di Roma	Transportation	Italy	N/AV
Alitalia	Transportation	Italy	300-500
Autostrad	Transportation	Italy	N/AV
Dutch Rail	Transportation	Netherlands	N/AV
KLM	Transportation	Netherlands	1,000-1,200
SAS	Transportation	Scandinavia	500-550
Iberia	Transportation	Spain	N/AV
Spanish Airport Authority	Transportation	Spain	N/AV
Swissair	Transportation	Switzerland	500
Renault	Transportation - Auto	France	4,000
Verbund	Utility	Austria	1,100
Edf	Utility	France	N/AV
Gdf	Utility	France	N/AV
Badenwerk/Evs	Utility	Germany	N/AV
HEW	Utility	Germany	N/AV
ENEL	Utility	Italy	N/AV
CPPE	Utility	Portugal	1,650
Edp	Utility	Portugal	1,800
Endesa	Utility	Spain	9,800
Red Electrica	Utility	Spain	N/AV
Vattenfall	Utility	Sweden	
British Energy	Utility	UK	N/AV
Nuclear Electric	Utility	UK	N/AV

*Govt stake in Pharmacia
Source: Privatisation International

COMPANIES AND FINANCE: EUROPE

Lyonnaise des Eaux reveals chief's salary

By Andrew Jack in Paris

The chairman of Lyonnaise des Eaux, the French construction, communications and utilities group, was paid FFr5.1m ($979,206) last year, according to information revealed yesterday.

Mr Jérôme Monod received FFr4.6m in his role as chairman and chief executive, and a further FFr500,000 in payments for his membership of the boards of other companies. He received the same salary in 1994.

The figures, contained in the 1995 annual report circulated at the group's annual general meeting, represent an important step in France, where few companies are willing to reveal the remuneration of top executives.

The report also showed that Mr Monod had been granted the right to subscribe to a total of 106,000 stock options over the last few years; compared with 15,000 at FFr444 each in 1990, rising to 35,000 at FFr493 each in 1994.

French law requires companies to report the combined earnings of their top directors, but not to give individuals' figures. Few companies have been willing to go beyond this limited requirement.

A shareholder at last year's annual general meeting called on Mr Monod to disclose his earnings, and later in the year he made the pledge to do so at the 1996 meeting.

However, in spite of his initial undertakings, the latest annual report did not provide individual information for other members of the board. It showed that, collectively, the 14 members of the executive committee were paid FFr31.4m during the year, up from FFr28.1m in 1994. Since 1990, they had been granted rights at varying prices to subscribe to more than 282,000 stock options. Non-executive directors received FFr1.6m in payments for their attendance.

The is part of a broader range of initiatives in the field of corporate governance and ethics taken over the last few months. These include appointing outside directors, distributing codes of ethics, and creating committees covering ethics, auditing remuneration and nominations.

Austrian banking prepares for shotgun wedding

Politicians intend Creditanstalt and First Austrian to merge, despite practical obstacles, writes **Eric Frey**

The saga of the privatisation of Creditanstalt-Bankverein, Austria's second-largest bank, entered a new and probably decisive phase last week when First Austrian Savings Bank, the country's fourth-largest, proposed that the two combine.

The idea, which has been discussed off and on for the past couple of years in Viennese banking circles, is probably the most attractive of the many proposals that have been put forward in the past four years.

There is little overlap between the two, CA being mainly a commercial and investment bank, while First Austrian has the country's largest retail network. A combination would help consolidate the country's fragmented banking sector as well as creating a second financial force to rival Bank Austria, itself the product of a 1991 merger.

Moreover, the two are also politically compatible, both being on the conservative or "black" side of Austria's still polarised political spectrum.

But there are obstacles to a successful deal. The two are proud institutions with long histories of independence, and neither will easily allow the other to have the upper hand in any alliance, even though CA is nearly three times as big as First Austrian in terms of assets.

The recent history of attempts by both banks at forming alliances is not encouraging. First Austrian negotiated fruitlessly for two years on joining forces with Girocredit, the country's third-largest bank, and was ultimately beaten by a bid from Bank Austria. Creditanstalt has seen off overtures from GE Capital of the US, CS Holding of Switzerland and Allianz of Germany over the past four years.

First Austrian's blueprint calls for creating a joint holding company. It would acquire 75 per cent of the shares of First Austrian from AVS, the foundation that controls it. It would also buy much of the 70 per cent voting stake (49 per cent of the capital) in CA that the Austrian government is trying to sell.

AVS, and other members of an international consortium that was set up two years ago to buy the government's CA stake, would provide much of the holding company's capital, with the remainder coming from a public share offering of the new holding company.

Austrian banks

	Assets Sch bn	Operating Profit Sch bn	Earnings per share Sch
Bank Austria	[illegible]	[illegible]	38
Creditanstalt	645.0	6.1	52
Girocredit	[illegible]	[illegible]	[illegible]
First Austrian	263.3	2.2	26

CA directors fear that under such a structure, First Austrian would dominate the venture despite its far smaller size. "The tail is wagging the dog," one CA official says. They also worry about the interests of ordinary investors, who hold more than 50 per cent of the bank's equity.

Mr Walter Fremuth, chairman of the CA supervisory board, says such an outcome is unacceptable and CA would make a counter proposal. That is likely to be for a plain merger, an idea that First Austrian will almost certainly reject because its directors' influence would be swamped in a structure based purely on asset or cash flow valuations.

The recent experience of alliances in Austria's banking sector does not promote optimism. Bank Austria took about four years to implement significant rationalisation after the straight merger of Zentralsparkasse and Laenderbank.

Two years ago, it chose the holding company route, having its controlling foundation acquire 56 per cent of Girocredit and keeping it at arm's length.

But when Bank Austria wanted to merge some of its units with those of Girocredit and cut costs, it was stymied by the resistance of Girocredit's management and minority shareholders.

Earlier this year, Bank Austria chairman Mr Gerhard Randa engineered a management shake up at Girocredit and named former Austrian finance minister Mr Ferdinand Lacina, theoretically a political ally, as chairman.

But the problems persisted. Mr Lacina was not enthusiastic about Bank Austria's plans to merge the two banks' branches in London and New York. In a recent interview, he cited the need to keep Girocredit's international reputation intact and to protect the minority shareholder interests.

Last month, Girocredit even terminated its co-operation with Bank Austria in investment banking when it sold its stake in the loss-making Investmentbank Austria to the parent bank. This means that Girocredit and Bank Austria will soon compete head to head in the underwriting market.

Another big question over the CA-First Austrian deal is how the funds can be raised to buy the government's stake. At current market prices, that stake is worth about Sch15bn ($1.39bn). The consortium, which is led by the Austrian subsidiary of the Assicurazione Generali insurance group, First Austrian and Commerzbank, originally offered only Sch9bn.

If they could put up a similar amount now, they would still have to raise something like Sch7bn on the Vienna stock market to complete the purchase. Up to now, the biggest issue launched in Vienna – one a few weeks ago by the OMV oil group – was worth Sch5bn.

One minor consortium member, the regional bank Oberbank, said last week that it would withdraw because the new First Austrian plan would result in the venture being dominated by a competitor.

Despite the obstacles, the two banks will be put under considerable pressure in the next few weeks to come to terms.

The ruling political parties, which have squabbled over previous proposals for CA's privatisation, appear to have agreed on this issue.

And the need for further consolidation in the industry is urgent.

Somerfield plans flotation

By Christopher Brown-Humes

Somerfield, the UK's fifth biggest supermarket chain, is today expected to announce plans for a July flotation that will raise up to £525m ($803m).

The move will reflect a strong recovery at the a group which was on the brink of collapse three years ago. Links with its owner, Isosceles – which experienced a severe financial difficulties in the early 1990s after an over-ambitious £2.1bn leveraged buy-out of the company in 1989 – will be severed.

It is understood that Somerfield, formerly known as Gateway, expects to achieve a valuation of between £475m and £525m.

This will give Somerfield an enterprise value of £625m to £725m, after including £150m to £200m of debt.

All of the company will be sold, with 80 per cent offered to institutions and the rest to retail investors. It will be one of the biggest non-privatisation issues of the year.

The funds raised will be used to pay off Somerfield's £400m debt, with the surplus being channelled to Isosceles long-suffering creditors.

Brendan Corr

David Simons, who will receive more than £2m, is credited with putting group on recovery path

After the cash distribution, it is likely that Isosceles will be dissolved and Somerfield will finally escape a legacy that has overshadowed its development throughout the 1990s.

Under a bonus scheme, Mr David Simons, Somerfield chief executive, and four senior directors are expected to receive more than £5m on flotation. Mr Simons, who joined from Storehouse in 1993, will receive more than £2m. He is credited with bringing in new management, halting a decline in sales and putting the group on a path to financial recovery.

Kleinwort Benson is sponsor and NatWest Securities is broker to the issue.

Sthn Electric promises cut in water prices

By Simon Holberton

Southern Electric, the regional electricity company, yesterday promised that if its recommended offer for Southern Water succeeded it would cut water prices by 4 per cent by April 1999.

The promise was contained in the offer document posted to shareholders in the water utility which serves the south-east of England.

Mr Geoffrey Wilson, chairman of Southern Electric,

described the rival bid by Scottish Power as "hostile".

Mr Wilson said the merger of the two companies would add 1m customers to Southern Electric's customer base. The enlarged group would have access to about 3.6m customers.

The promised cut in water charges will mainly come into force in 1999-2000, when prices will be 4 per cent below the maximum allowable level.

In the intervening years Southern Electric has undertaken to keep prices below those permitted, starting with a 1 per cent cut this year.

Scottish Power, which promised a 3 per cent cut for two years beginning April 1998, said the offer showed Southern Electric's "concern about competition in their region". The Scottish group said it had originally recognised the importance of a customer dividend for Southern Water's customers and said "they are now following our lead".

Mr Jim Forbes, chief operating officer of Southern Electric, said it had waited to announce a customer dividend until it had consulted Ofwat, the water industry regulator.

The group's bid for Southern Water was "phase one" in a far reaching structural change in the UK utilities sector. "Investors are just beginning to realise it," he said.

NEWS DIGEST

Citizens pays $53m for Farmers

Citizens Financial, the US subsidiary of Royal Bank of Scotland and Bank of Ireland, is to buy Farmers & Mechanics Bank in Connecticut for $53m.

The deal is Citizens' ninth acquisition since 1992 and the first since the merger earlier this year between Royal Bank's Citizens and Bank of Ireland's First New Hampshire Bank.

The merger left Royal Bank with 76.5 per cent of the enlarged Citizens and Bank of Ireland with 23.5 per cent.

Farmers & Mechanics, a state chartered savings bank with $540m in assets, strengthens Citizens at the southern end of its New England territory. The deal will be financed from Citizens' own financial resources.

The group is aiming to expand through infill acquisitions, mostly within 100 miles of its headquarters in Providence, Rhode Island. Analysts expect further deals in the Boston suburbs.

Farmers' 12 branches will add to Citizens' 18 branches in Connecticut.

"This acquisition is a logical extension of Citizens' operations in Connecticut, which will considerably strengthen its market position and make it the market leader in important parts of the state," said Dr George Mathewson, Royal Bank's chief executive.

George Graham

German buy lifts Protean

Input from last summer's acquisition in Germany helped Protean, the laboratory equipment and water purification group, lift profits by more than a third in the year to March 31.

The group paid £12.9m for DWA, a privately owned maker and distributor of water purification equipment specialising in renal dialysis. It contributed just over £2m to pre-tax profits of £10.3m ($15.75m) against £7.54m.

Mr Geoff Spink, managing director, said "Our water businesses are becoming a global operation."

The group lost £200,000 in setting up an Elgin operation in the US, where it has entered into an agreement with Fisher Scientific, a leading US distributor. It hopes to break even in the US by the 1997-98 year.

David Blackwell

Hicking Pentecost up 40%

Hicking Pentecost, the textiles group, lifted pre-tax profits more than 40 per cent to £6.4m in the year to March 31.

The group's continuing businesses increased sales by 18 per cent to £77.5m, while the £14.6m acquisition of Blue Mountain Industries, the US industrial threads company, added a further £8.5m, lifting the total 31 per cent to £85.9m.

On an underlying basis – excluding exceptional restructuring charges of £495,000 in 1994-95 – the group lifted operating margins from 7.9 per cent to 8.6 per cent.

NSM hit by US weather

By Patrick Harverson

Low coal prices, severe weather in the US and costs of a legal settlement led to a sharp fall in profits at NSM, the highly geared coal mining group.

Pre-tax profits plunged from £6.05m to just £222,000 ($340,000) on turnover of £126.5m (£123.3m) in the year to March 31. Operating profits were almost halved to £6.37m (£12.2m).

The group warned in January that it would endure a difficult second half, and the performance – which Mr John Jermine, chairman, described as "extremely disappointing" – failed to upset the shares, which gained 1p to 61p.

NSM said it was hit by three "unforeseen" problems in the second half. It was advised by its lawyers to settle a claim made against it by the purchasers of Bison, the building materials business sold for £31m in 1991. The settlement cost a total of £2.6m.

In the US, operations were hit by record low coal prices, caused by prolonged unfavourable weather conditions and overcapacity, and by the worst winter in Pennsylvania for 74 years, which disrupted production for six weeks.

Mr Jermine also said the removal of legal and planning constraints meant it could sell properties in the US and the Netherlands.

JM buoyed by its ceramics joint venture

By Tim Burt

Johnson Matthey, the precious metals and engineering technology group, yesterday reported a 6 per cent rise in profits, following strong demand for its electronic materials and ceramics products.

The company saw pre-tax profits rise from £95.4m to £102.2m ($156.4m) on higher sales of £2.53bn (£2.18bn) in the year to March 31.

Mr David Davies, chairman, said the improvement was fuelled mainly by increased profits at Cookson Matthey Ceramics, its joint venture with Cookson Group, and maiden contributions of £4.2m from ACI, the US manufacturer of multilayer printed circuit boards acquired last year for $170m.

That softened the impact of sharply reduced profits in the catalytic systems division, which fell from £34.5m to £26.2m following the loss last year of a big contract with General Motors. The company, which is locked in a long-running legal dispute with GM, said it had cut the workforce by 13 per cent to 870 and reduced research and development spending.

Mr Davies warned, however, that weak demand and delays on new products would make it difficult for Johnson Matthey to replace the lost GM business with new sales.

Problems in the catalytic systems business were partly offset by profits of £6.7m (£4.7m) in the biomedical business, and contributions from precious metals which remained the largest profit centre with £44.6m (£41m).

Despite some volatility in metals prices and the increased availability of Russian platinum, the division reported higher sales of £1.98bn (£1.6bn).

Mr Davies said Johnson Matthey remained committed to precious metals, but now regarded the operation in part as a cash generator for its growing businesses – electronic materials and ceramics.

Profits in electronic materials rose 36 per cent to £25.5m, despite development costs of £2.2m at Acsist arm, which makes plastic laminates for semiconductor chips.

Three purchases help lift Scapa

By Christopher Price

Scapa Group, which supplies engineered fabrics, rollers and roller covers to the paper industry, reported a 35 per cent rise to £62.3m ($95.3m) in annual pre-tax profits.

Turnover for the 12 months to March 31 increased 20 per cent to £525.8m, buoyed by three acquisitions. Profits on continuing operations rose 15 per cent to £57.5m on turnover 12 per cent higher at £489.3m.

The acquisitions strengthened its presence in the technical tapes and industrial textiles and filtration markets.

The results were the first in which Scapa received more than half its revenues from non-paper manufacturing markets. Mr David Dunn, chief executive, said it was a trend that would continue. "We will be less reliant on the volatility of the paper industry and we have added opportunities to our earnings potential."

Expenditure on new products and the acquisitions pushed gearing from 24 per cent to 40 per cent, although interest cover remained at eight times. Mr Dunn said that this year's expenditure was likely to be similar to last year's £80m as it continued to seek expansion. This would take the form of greenfield sites and further acquisitions.

Volatility in the paper industry was reflected in demand for Scapa's products – strong in the first half but more subdued in the second and into the first half of the current year. Mr Harry Tuley, chairman, said he expected the market to recover in the second half.

COMPANIES AND FINANCE: UK

Grid proceeds boost London Electricity

By Patrick Harverson

Proceeds from the sale of its share in the National Grid helped London Electricity to sharply higher annual profits.

Pre-tax profits jumped from £172.4m to £276.1m ($422.4m). However, excluding a £117.5m contribution from the National Grid and exceptional restructuring charges of £24.5m, underlying profits were 5 per cent lower at £183.1m (£193.7m).

Although a recommended final dividend of 27p took the total to 38.5p (29p), the payment disappointed the stock market which had been hoping for a total dividend of more than 40p, and the shares fell 30p to 662p.

Investors were also said to have been unsettled by comments from Sir Bob Reid, chairman, about the possibility of a windfall tax being levied by a future Labour government. Mr Reid warned yesterday that if such a tax were imposed on the company, it might have to cut its capital investment programme in order to protect profits.

Underlying turnover climbed to £1.28bn (£1.21bn), reflecting strong growth in supply revenues, with unit sales of electricity to commercial consumers up more than 40 per cent.

Despite the strong growth in the supply business, operating profits from supply fell to £14.2m (£16.9m) because of higher than expected electricity costs.

Distribution profits also declined, falling to £162.5m (£166m) after the company reduced charges at the behest of the industry regulator.

Profits from private networks rose to £12m. London said this was one of the unregulated businesses it was keen to develop. It recently won the contract to build, own and operate the electricity distribution network for the Channel tunnel rail link.

London said it was pursuing collaboration with Thames Water in such areas as purchasing and logistics, information technology, street works and bad debt.

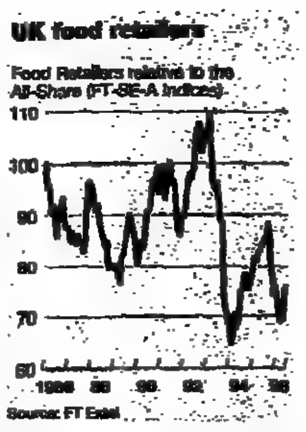
LEX COMMENT

Somerfield

One of the greatest corporate casualties of the UK's over-leveraged 1980s buy-outs is hobbling back to the stock market. And the former Gateway, now renamed Somerfield, has picked a perfect moment for its comeback. Of course, the backers of the £2.1bn buy-out of Gateway may not be ecstatic, having written off all their equity and probably £800m of debt; but it could have been worse. The battle *out on the petrol forecourts* has meant the big four supermarket groups are loath to pick a pricing fight within the stores themselves, so the trading environment is looking more benign. Meanwhile, as political fears increase, investors are taking a greater shine to the defensive nature of the food retail sector. *Of course, one has to wonder why* investors should get excited about a food retailer that the big four supermarket groups showed no interest in buying. Somerfield has a portfolio of 600 stores, but it is a mixed bag. It has none of the superstores that have proven the most popular of the food retailing formats, and current planning policy means it is too late. Moreover, it has a comparatively weak brand name and product range, so it will always struggle to entice the consumer. This is evident in the uninspiring 1 per cent *sales growth it achieved in the first half of the financial year.*

Somerfield should at least be able to tell a soothing tale of turnround benefits and the opportunities for a business that has been held back by a debt-laden parent. But this is a second division retailer and it should be priced accordingly.

UK food retailers



Source: FT Extel

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alphameric	Yr to Mar 31	14.7	(14.5)	0.143L♠	(0.572♠)	0.3L†	(1.3)	nil	-	0.25	nil	0.25
Brockhampton	Yr to Mar 31	27.4	(27.4)	7.91♠	(6.69♠)	11.4	(11.1)	2.1	Aug 15	1.88	3.14	2.48
Café Inns ϕ	Yr to Feb 29	13.2	(11.6)	0.849♥	(0.773)	13.34	(12.18)	2.4	July 30	2	2.4	2
Daily Mail	6 mths to Mar 31	476.6	(417.7)	41♥	(38.3♥)	25.9	(27.1)	4.6	July 12	4.3	-	17.7
Dewhurst	6 mths to Mar 31	7.8	(8.04)	0.199	(0.290)	2.99	(4.88)	0.93	Sep 2	0.9	-	2.7
FKI	Yr to Mar 31	873	(798.6)	90.1	(55.4♠)	11.3†	(7.4)	3	Oct 7	2.8	5.2	4.8
[illegible]	Yr to Mar 31 ⁂	-	(-)	22.2	(17♠)	32.1	(20.9)	15	July 22	14.5	23	22.5
GWR	6 mths to Mar 31	21.3	(14.2)	2.43♠	(2.06)	2.3†	(2.6)	1.07	Sept 30	0.94	-	2.26
Hewetson	Yr to Mar 31	44.1	(43.9)	0.813	(1.43)	3.33	(7.85)	1.75	Oct 1	1.75	2.5	2.5
Hicking Pentecost	Yr to Mar 31	85.9	(70.7)	6.4	(4.52)	20.7	(15.2)	4.4	July 22	3.7	6.5	5.5
Johnson Matthey	Yr to Mar 31	2,529	(2,178)	102.2	(95.4)	34.4†	(32.9)	10.1	Aug 5	9.3	14.5	13.5
Leigh Interests	Yr to Mar 31	114.9	(117.5)	9.571♠	(9.09)	[illegible]	(9.8)	2.085	Oct 7	5.57	[illegible]	7.83
London Electricity	Yr to Mar 31	1,189	(1,209)	276.1♥	(172.4♠)	109.7‡	(83.3)	27	Aug 8	19.5	38.5♦	29
London Merchant	Yr to Mar 31	34.4■	(32.8■)	49.4	(35.3)	15.45	(11.05)	[illegible]	Aug 24	3.6	4.6	4.4
Neotronics Tech	6 mths to Mar 31	9.78	(9.85)	0.332L	(0.083)	0.99L	(0.1)	nil	-	0.85	nil	0.85
NSM	Yr to Mar 31	126.5	(123.3)	0.222♥	(6.05)	0.03	(11.2)	nil	-	4	1.5	4
Protean	Yr to Mar 31	72.9	(54.5)	10.3	(7.54)	17.2†	(14.6)	5	July 31	4.25	6.6	5.4
RCO	6 mths to Mar 29	23.6	(24.7)	0.58	(1.9)	3.62	(11.71)	4.95	Aug 28	4.25	-	16
Regalian Props	Yr to Mar 31	16.8	(18.4)	1.86	(1.38)	1.43	(1.17)	0.5	Aug 9	nil	0.5	nil
Scapa	Yr to Mar 31	525.8	(437.3)	62.3	(45.1♠)	17.7	(12.2)	4.89	Aug 16	4.44	6.86	6.14
Scottish Hydro	Yr to Mar 31	887.4	(833.1)	[illegible]	(166.7♠)	36.7	(31)	11.01	Sept 30	8.67	15.76	14.01
Shelton (Martin) §	Yr to Mar 31	6.6	(6.7)	[illegible]	(0.7)	[illegible]	(0.32)	[illegible]	Aug 12	2.5	4.25	3.75

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Income	Yr to Apr 30	-	(-)	0.558	(0.617)	3.72	(4.11)	1	Aug 2	1	4	4
Invesco Korea	Yr to Mar 31 ★	141.49	(155.01)	0.2L	(0.044)	0.92L†	(0.12L)	-	-	-	-	-
MC European	Yr to Apr 30	162.6	(121.1)	[illegible]	(0.178)	1.22	(0.76)	0.73	Aug 30	0.39	0.73	0.39
Moorgate Smaller	Yr to Apr 30	143.04	(123.12)	3.3	(3.18)	4.82	(4.64)	2.72	July 26	2.65	4.37	4.45
Second Cons	Yr to Apr 30	70.3	(55)	0.276	(0.169)	[illegible]	(0.49)	-	-	-	-	1.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ϕAIM stock. §USM stock. ⁂Comparatives pro forma. ‡On reduced capital. ♦Excludes special distributions. ■Net rental income. ★Comparatives restated.

THE PROPERTY MARKET

A fine field for specialists

Simon London looks at the appeal of agricultural land

The world of agricultural land makes the commercial property market look like a sane and rational place. Investment decisions are often made on the basis of lifestyle and sentiment rather than discounted cash flow or rate of return.

"There are certain landowners who measure their wealth in acres rather than pounds," says Mr Peter Clery, managing *director of Lands Improvement* Holdings, the agricultural property company which made its stock market debut this week.

Official statistics show that prime farm land currently yields about 5 per cent. But many buyers are willing to accept far lower returns because they have a sentimental attachment to an estate.

But if many buyers of farmland ignore investment fundamentals, the fundamentals themselves are difficult for many mainstream property investors to grasp.

While commercial property *is loosely tied to the economic* cycle, land prices are driven by factors such as grain prices and the level of the green pound – the rate at which European Union subsidies are translated into sterling.

Forecasting these variables is difficult indeed. Three years ago land prices were lower than in the mid-1980s because the green pound was strong and grain warehouses were relatively full.

Yet last year land values raced ahead by 20 per cent as *grain prices soared – due to a* worsening world shortage of wheat, exacerbated by poor weather – and the weakness of the green exchange rate.

Against this background most big institutional investors have given up on agricultural land as a bad lot.

Institutional capital poured into farm land in the mid- to late-1970s, driving yields down to a low point of 2.2 per cent in 1980. By the late 1980s, though, institutional cash was being withdrawn against a background of falling values, with prime estates changing hands at *yields of 6 per cent or more.*

Specialists such as Lands Improvement and the Church Commissioners are now left to plough a lonely furrow, with pension funds and life insurers making only occasional purchases.

Mr Clery maintains that most fund managers did not understand the nature of the asset and did not work hard enough to squeeze value from their estates.

Lands Improvement, he says, buys estates with one eye on *the quality of the soil and one* eye on the potential for development. It aims to dramatically improve its yield by selling odd acres for housing, warehousing or roads.

The difference in value between farm land and housing land is such that even relatively *small deals can have a* big impact.

In the early 1990s Lands Improvement sold 90 acres of land in Kilmarnock, to the south of Glasgow, to a housebuilder for £15,000 per acre. As farm land it was valued at only £700 per acre.

Government forecasts of demand for housing also imply that demand for housing land will probably increase over the next decade. However, it requires a very large portfolio indeed to be sure of achieving a *steady flow of these deals.*

With 27,000 acres in its charge, Lands Improvement can be fairly sure that it will sell a few parcels of development land every year. It is even hopeful of developing a natural gas field on one estate.

Critical mass also allows Lands Improvement to exploit the imperfections in the land market.

Last year it acquired 19,500 acres from Royal Insurance in one of the largest transactions every seen in British agriculture. The company has since sold all but 6,500 acres, mostly *in small lots*, taking advantage of strong demand from private investors and farmers themselves.

This policy of 'buying wholesale and selling retail' is not new to commercial property investors. But the agricultural land market provides a rich *seam of opportunities.*

Last year's deregulation of farm tenancies also offers big investors a chance to squeeze additional value from their agricultural assets.

Until last September, farm tenants enjoyed lifetime security of tenure and rents which were kept below free market levels by regulation. For this reason land let to tenant farmer has historically changed hands at around half vacant possession value.

New Farm Business Tenancies are more flexible. Landlords and tenants can now freely negotiate agreements for any period, with rents decided by market forces.

There is a parallel with the housing market, where regulated tenancies – replete with rent controls and security of tenure – are gradually being replaced by unregulated assured shortholds.

While it is too early to say for sure how the new rules will effect the market, rents being struck under farm business tenancies are up to twice as *high as under the old system.*

Big landowners can also strike relatively short-term deals with farmers which cover, say, a few weeks for a single crop of lettuces. *At the end of* the period the landowner can simply take back the fields for a different crop or a different tenant.

The overall lesson is that decent return can be earned *from agricultural land* if investors are willing to invest on sufficient scale and devote sufficient resources to the active management of their estates.

Even more than in the commercial property market, it is not enough to simply buy an estate and accept a steady 5 per cent rental yield.

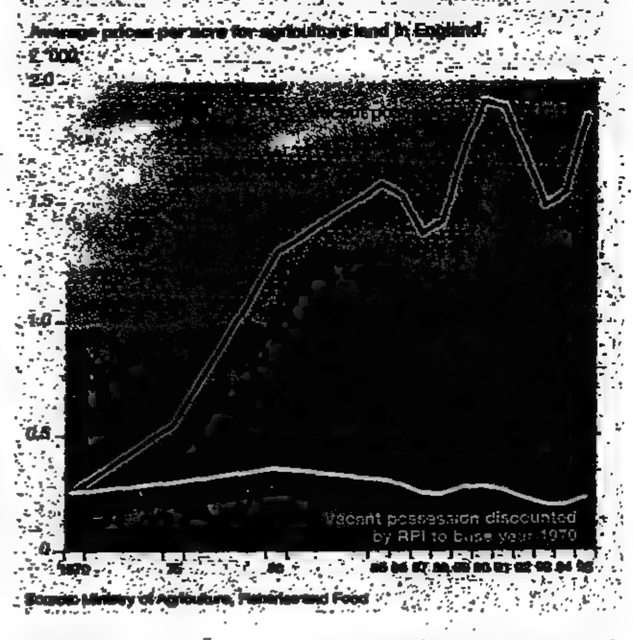
Mr Clery certainly believes that the outlook is bright. He points out that even after the spectacular gains of last year – when agricultural land was the best performing UK financial asset – land values are still well below the levels of the 1980s in real terms.

The shape of the land cycle from here on depends on unpredictable variables such as the green exchange rate and world grain prices. The long-term impact of politics on the price of agricultural products, which are largely determined by the Common Agricultural Policy, is equally matter for informed guesswork.

These uncertainties – combined with the bad experiences of the 1980s – probably mean that the case for farmland will have to be exceptional before most investment institutions consider ploughing cash back into the agricultural market.

But this probably suits Lands Improvement, which carved its profitable niche in the 1980s when fund managers were selling out.

England's poor crop from land



Source: Ministry of Agriculture, Fisheries and Food

COMMERCIAL PROPERTY

COMMODITIES AND AGRICULTURE

LME seeks act changes to increase its market control

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange is calling for changes in the UK Financial Services Act so that it can have more control over users of its markets, Mr Raj Bagri, the chairman, revealed yesterday.

He said: "It is incomprehensible that people can trade millions on our market without being under the jurisdiction of the LME". At present, the LME can discipline only its own members.

He was speaking at a press conference in London at which he and other exchange executives fielded questions about the present turmoil in the LME's copper market. US hedge funds and Sumitomo of Japan are said by traders to be struggling to gain the upper hand in a financial tug of war in which some LME members have made big losses.

Some steps had already been taken. Mr David King, chief executive, revealed that the LME in the past year had linked with a communications network involving 49 futures exchanges and clearing houses and 14 regulators that enabled them instantly to exchange confidential information about concerns they might have about activities in their markets.

"These are now global markets," he explained. Mr King said the initiative for the exchanges' network had come from the US Futures Industries Association following the collapse of the Barings Bank.

Asked to confirm that talks about the copper market's problems had taken place between UK and Japanese government officials, Mr Bagri said "it would be most unusual" if the British Treasury was not not talking to its counterparts in the US or Japan. The LME had regular contacts with its regulators: the Securities Investment Board; the Securities and Futures Authority and the UK Treasury.

Mr Bagri suggested that the copper market's problems were being caused by irresponsibility, not manipulation, which is a criminal activity in the UK. "Some users are abusing the freedom of the open market and we will try to stop that," he promised.

He recalled that three weeks ago the LME board had "flagged possible tension" in the market by imposing a limit on the cost of carrying forward a short position for one day. "This gave people a chance to take precautionary action."

He said: "We have a free, transparent, open market and we expect people to use it responsibly. We want to avoid severe fluctuations in prices and battles between 'longs' and 'shorts'. The LME board is very unhappy about the effects of some things that are happening in our market".

The LME was reviewing its oversight procedures to see if they should be changed.

Mr Bagri said the LME was not carrying out any copper market investigation of its own at present. He was sure no manipulation of the copper market was taking place. He was sure that no bankruptcies would follow events last week when the LME copper price plummeted by 15 per cent in only two hours.

The LME itself was in good financial health, he pointed out. The accounts presented yesterday showed the exchange turnover in 1995 was 47.2m lots, representing 1bn tonnes of metal valued at US$2,500bn and was the second highest on record. At the year-end reserves totalled £6.1m.

● Mr Bagri said the LME had agreed in principal to take shares in the London Clearing House. It would contribute £2.75m towards the LCH's £50m capital.

● The LME accounts show that last year Mr King's remuneration increased by nearly 15 per cent, from £157,631 to £181,187.

Exchange to launch traded average price options

By Kenneth Gooding

The London Metal Exchange hopes to launch two new contracts in January: traded average price options (tapos) for copper and primary aluminium.

These are already being offered to investors by members as over the counter contracts and the LME said yesterday that, by introducing exchange traded tapos they would "have greater liquidity, greater transparency, greater efficiency, regulatory oversight and the protection afforded to exchange cleared contracts by the London Clearing House."

The contracts, which take the form of European-style options in that the holders will not be allowed to declare them early, will be based on the LME monthly average settlement price.

If the first two contracts trade successfully, tapo contracts for other LME metals will be considered.

● The LME yesterday launched its Internet site (www.lme.co.uk) and logged in excess of 13,000 hits in the first morning, Steve McGookin adds.

The site, developed in conjunction with Oyster Systems, contains extensive details of the LME's membership, services and trading information; including monthly and archived prices, with daily volume data for the past seven years and stock totals for the past 36 downloadable via FTP.

Contract specifications, along with warehousing information, are also available; as well as listings of forthcoming seminars and events.

UN body backs greater use of wood

By Frances Williams in Geneva

Faced with a sharp drop in the use of wood, especially for construction, European producers are calling for a concerted information campaign to convince the public of timber's advantages. The United Nations Economic Commission for Europe said yesterday that on a life-cycle analysis wood has an environmental advantage over other construction materials because it is renewable and recyclable.

It also scores in terms of health and safety. Contrary to public perception, "a wooden structure will withstand a fire better than a similar steel building", the ECE claims.

The UN agency says the loss of market share is alarming European wood producers and threatening the upkeep of forests. Representatives of 16 countries met last month in Sweden to discuss how to reverse the trend.

Using wood can promote forest conservation, says Mr Edward Pepke, an ECE timber specialist: "To support the benefits of forests, they must be properly maintained. . . Overall in Europe, only by maintaining and developing the timber trade can forest management costs be covered".

Timber removals fell by 10 per cent between 1990 and 1993 to 323m cubic metres. While there has been some increase since, the ECE expects removals this year only to regain 1990 levels of 366m cu m.

European demand for sawn wood fell by 18 per cent in 1990-93, with US demand dropping by 4.6 per cent over the same period. While much of the decline can be attributed to economic recession and its impact on the construction industry, structural changes are also at work, the ECE says.

Some countries now have legislation that discourages the use of wood in construction, on safety or energy conservation grounds. In 1975, for instance, 70 per cent of all window frames built in France were wooden but by 1995 this figure had fallen below 30 per cent. In 1983, 83 per cent of British door frames were made of wood but by 1995 the proportion had sunk to 60 per cent.

● Parts of the forestry industry are attempting to certify their forestry practices through a "sham" certification scheme, according to the World Wide Fund for Nature.

The WWF is concerned that standards for forest management procedures now under discussion by the International Organisation for Standardisation will be wrongly used as an "eco-label" purporting to show that their forests are sustainably managed.

ISO members meet next week in Rio de Janeiro to discuss a New Zealand proposal to start work on forest management certification based on ISO's 14001 standard for environmental management.

Crop defenders gather in Leipzig

Geoff Tansey on next week's Leipzig conference on plant genetic resources

Agricultural biodiversity must not be left at the mercy of market forces, according to representatives of six UK-based non-governmental organisations. They are joining over 100 other NGO representatives from around the world at a three day meeting in Leipzig starting today to prepare for the inter-governmental International Technical Conference on Plant Genetic Resources, which begins there on Monday.

The conference is expected to adopt a global plan of action – estimated to cost between $1.3bn and $3bn over 10 years – to safeguard plant genetic resources. There was concern at an NGO meeting in the UK earlier this week, however, that the governments might fail to agree because of disputes over paying for the plan and deciding who would have access to different plant materials – from both farmers fields and the stores of seeds in 1,300 genebanks around the world.

The UK NGO group, which includes Intermediate Technology, the International Institute for Environment and Development and the World Wide Fund for Nature, also argue that public sector support is needed to conserve biodiversity both on the fields and in the genebanks. They produced their statement after a meeting in London called "Food for Life - Safeguarding Biodiversity to Enhance Food Security", which was attended by about 90 people, including speakers from the seed industry and the public sector, both north and south.

Although wide differences were apparent between some speakers, they all called for dialogue and generally recognised the need to deal with the basic problems. These were, according to Mr Patrick Mulvany of Intermediate Technology: that just three crops – wheat, maize and rice – provided two thirds of the human population's dietary energy; that 75 per cent of varieties had been lost this century; that current genebanks were becoming gene morgues; and that the spread of industrial farming was the main cause of the loss of biodiversity, as was acknowledged in the State of the World report prepared for the Conference.

The NGO's the Plan of Action focussed too much attention on improving the genebanks (ex-situ conservation) and not enough on ensuring variety in farmers fields (in situ conservation). Both were needed, "to develop in tandem", argued Mr David Astley, head of the genetic resources unit at the Horticultural Research Institute in the UK. Encouraging utilisation of the collections in genebanks was also critical.

He also warned that loss of genetic resources was not an issue only for the developing countries. His unit had collected a wide range of varieties of cauliflowers from farmers' fields in Italy – a centre of genetic diversity for cauliflowers – in the early 1980s. But just 10 years later, when trying to evaluate genetic erosion, they had found that "very, very little was left".

In China, according to the UN's Food and Agriculture Organisation, of the nearly 10,000 varieties of wheat in use in 1949 only 1,000 remained in the 1970s. The USA had lost 95 per cent of the cabbage, 91 per cent of the field maize, 94 per cent of the pea and 81 per cent of the tomato varieties cultivated last century.

"In biodiversity, the issue is not at a single level," argued Ms Vandana Shiva, director of the Research Foundation for Science, Technology and Natural Resource Policy in Dehra Dun, India. "It is a matter of ecosystem diversity, farming system diversity, species diversity and genetic diversity within plants". She also argued that "farmer's rights" had to be taken seriously by the conference, not just for the past work of developing species but in their rights to grow, exchange, sell and conserve varieties.

These rights were threatened by the development of patents on genetically-engineered seeds and other legal and economic constraints, a working group at the London meeting concluded. But the problem received insufficient consideration in the plan of action.

In India, where there had already been large protests about paying for replanting seed from crops farmers grew themselves, "non-co-operation on payment for seeds is going to last", said Ms Shiva. She compared farmers resentment to that about British textiles at the time of independence.

MARKET REPORT

Nearby copper premiums unwind

Nearby COPPER premiums unwound at the London Metal Exchange yesterday taking some of the heat out of the market, but further volatility probably lay ahead, traders and analysts suggested.

Three month delivery copper futures were relatively stable, consolidating between $2,140 and $2,215 a tonne, the narrowest range seen on the market for seven trading days. They finished the after hours "kerb" session at $2,155, down $10.

But spread business was fairly active, with the cash/three months premium narrowing to $130 in late trading, from $195 on Wednesday, before it recovered slightly. The June/two weeks premium came in to $20 from $40.

"There is still potential for short-covering in the market despite the spreads unwinding," said Mr William Adams of broker Rudolf Wolff. "Tomorrow's stock numbers will be very important".

Some traders expected a sizeable drawdown from LME copper stocks, which could give the market a boost, but if it failed to materialise prices might be back under pressure, traders said.

Three months LEAD fell to a 2½-month low of $786.5 a tonne and ended only 50 cents just above that level. Further chart-based selling could push values back to next support around $770, traders said.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1480-82	1515-17
Previous	1460-61	1496-97
High/low	1472.5	1520/1505
AM Official	1472.5-73	1507-07.5
Kerb close		1519-20
Open int.	236,647	
Total daily turnover	53,308	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1235-45	1275-80
Previous	1235-45	1275-80
High/low		1280
AM Official	1245-48	1280-90
Kerb close		1275-85
Open int.	5,124	
Total daily turnover	1,613	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	785-6	790-1
Previous	792.5-3.5	797-7.5
High/low		796/786
AM Official	785-6	786.5-9
Kerb close		786-6.5
Open int.	34,484	
Total daily turnover	9,405	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7815-25	7925-30
Previous	7835-45	7949-50
High/low	7790	7970/7900
AM Official	7795-800	7910-11
Kerb close		7940-50
Open int.	45,476	
Total daily turnover	10,328	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6235-45	6230-35
Previous	6225-35	6210-20
High/low	6250	6250/6220
AM Official	6260-65	6225-35
Kerb close		6240-50
Open int.	17,616	
Total daily turnover	4,469	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1012.5-13.5	1037-38
Previous	1011.5-12.5	1036-37
High/low	1013.5/1013	1040/1037
AM Official	1013-13.5	1037-37.5
Kerb close		1038-40
Open int.	73,162	
Total daily turnover	16,706	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2320-30	2170-75
Previous	2340-50	2145-50
High/low	2315/2310	2215/2140
AM Official	2305-15	2170-80
Kerb close		2155-60
Open int.	200,263	
Total daily turnover	127,719	

■ LME AM Official £/$ rate: 1.5335
LME Closing £/$ rate: 1.5317

Spot: 1.5307 3 mths: 1.5309 6 mths: 1.5309 9 mths: 1.5317

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	110.50	−1.70	112.20	109.00	373	2,612
Jul	104.15	−0.95	106.50	103.30	5,271	15,868
Aug	102.40	−0.40	103.75	103.75	71	1,142
Sep	99.85	−0.35	101.20	98.70	1,967	10,174
Oct	99.25	−0.15	–	–	227	976
Nov	96.05	+0.15	96.75	96.75	219	915
Total					8,906	50,292

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	384.60-384.90		
Opening	384.60-384.90		
Morning fix	384.80	250.88	486.00
Afternoon fix	384.70	251.03	485.68
Day's High	385.00-385.30		
Day's Low	384.20-384.50		
Previous close	384.30-384.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.35	6 months	4.25
2 months	4.40	12 months	4.15
3 months	4.40		

Silver Fix	p/troy oz.	US cts equiv.
Spot	[illegible]	511.25
3 months	337.45	517.20
6 months	341.20	529.20
1 year	348.80	537.15

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	251-253
Maple Leaf	395.25-397.70	
New Sovereign	85-88	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	384.2	−0.1	384.9	384.3	47	280
Jul	386.1	−0.3	–	–	–	–
Aug	386.5	−0.3	387.3	386.3	17,825	87,662

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmbtu; $/mmbtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	119.50	−1.50	121.25	119.50	74	1,947
Sep	113.60	−0.80	114.60	114.50	15	362
Nov	115.20	−1.00	115.50	115.20	102	2,667

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1115	−1	1122	1105	1,655	9,154
Sep	1142	−4	1152	1132	1,032	44,846
Dec	1069	+1	1077	1065	2,101	37,405

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	62.400	−0.275	63.600	62.325	3,850	8,818
Aug	65.730	−0.350	66.175	65.550	10,990	37,636
Oct	67.050	−0.075	67.250	66.700	2,727	24,067

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

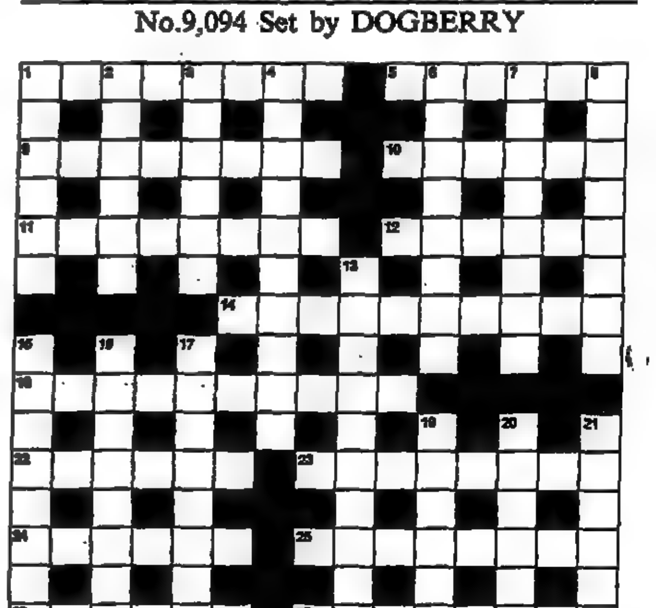
■ NATURAL GAS (Pence/therm)

■ OTHER

JOTTER PAD

CROSSWORD

No.9,094 Set by DOGBERRY



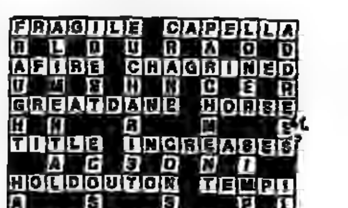
ACROSS

1 Many a piece of writing about a visual impairment (8)
5 One who doesn't wash behind the collar? (6)
9 Man accompanying about 500 at full tilt (8)
10 Getting over alternative churchman (6)
11 Mister Action turned out to be a softie (8)
12 Believers in hot running water (6)
14 Again thought of control getting let out (10)
18 Underwear I wanted to bring in to spoil fake invalid (10)
22 Vice ring's leader's arranged to kiss neck (6)
23 Torch for essayist in iron and gold (8)
24 It lays waste to most of the homeland (6)
25 Tree, island and wood (8)
26 Fur of the eagle flanking the highway (6)
27 Point to people in temporary home – poor accommodation (8)

DOWN

1 A lot of soldiers in hospital or in bed (6)
2 Underground in a market, looking up in shock (6)
3 Let up and loaned anew (6)
4 Protester in bright bracket (12)
6 Instrument wine's kept in (8)
7 Fit for appointment, being trendy (3-2-4)
8 If upset, live in a cosy place (8)
13 Put between sheets – strangely relevant, that is (10)
15 Fit to receive mineral cordial (8)
16 A student's trite remark: "Goodwill to all men!" (8)
17 Fancy hat-pin being worn for church music (8)
19 Fighter entered before expat (6)
20 Rest of record in pink (6)
21 Extra-virgin super-model, perhaps? (6)

Solution 9,093



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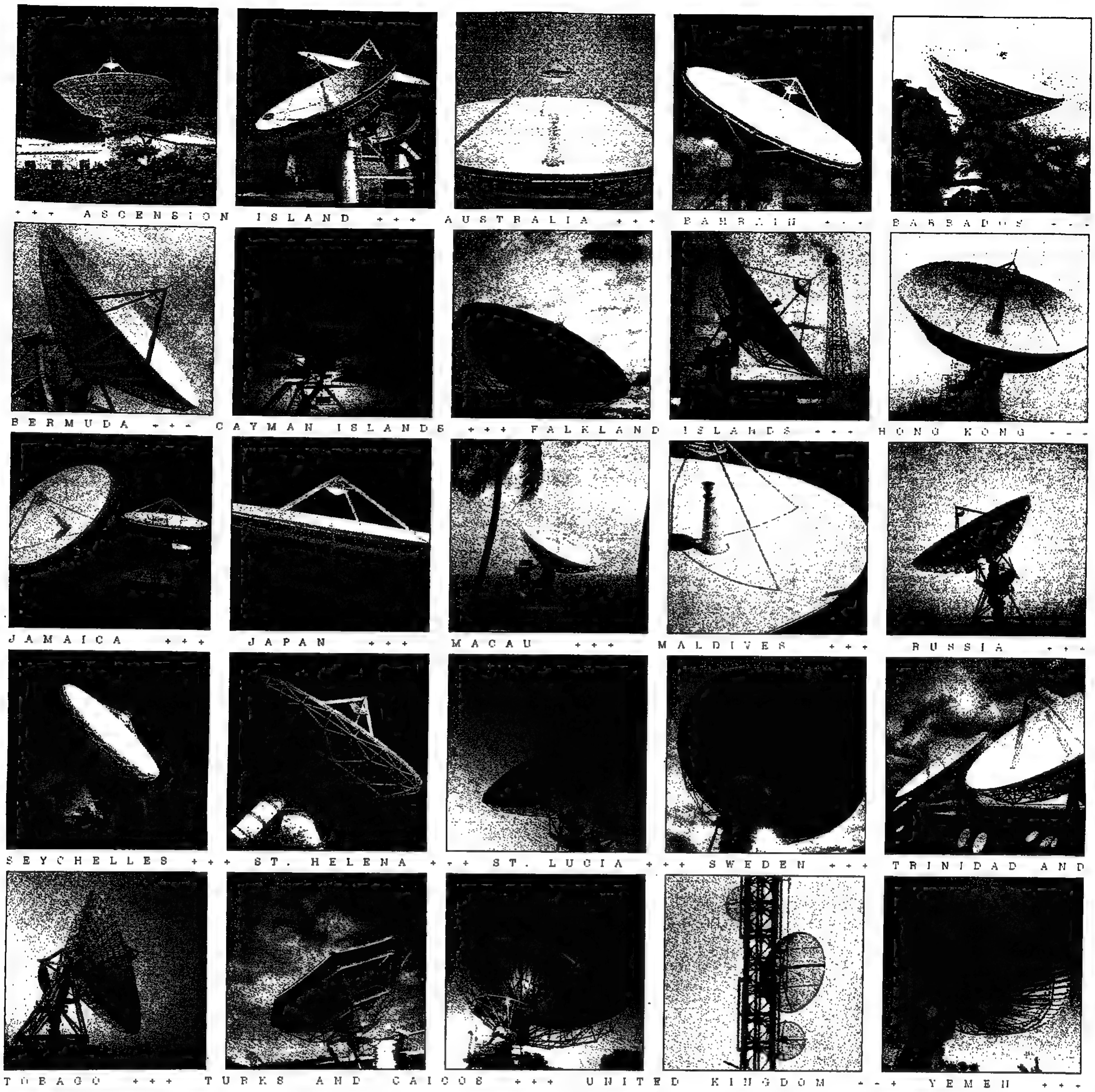

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CABLE & WIRELESS

*Past performance cannot be relied upon as a guide to future performance

INTERNATIONAL CAPITAL MARKETS

US Treasuries fall back after early gains

By Lisa Bransten in New York and Richard Lapper in London

US Treasury prices were nearly flat in early trading yesterday after spiking briefly on retail sales figures that were nearly in line with economists' expectations.

The benchmark 30-year Treasury was nearly half a point stronger shortly after the data was released, but by midday it had retraced most of its gains and was just $\frac{1}{32}$ stronger at $85\frac{25}{32}$ to yield 7.190 per cent.

At the short end of the maturity spectrum, the two-year note rose $\frac{1}{32}$ at $99\frac{5}{16}$, yielding 6.359 per cent. The September 30-year Treasury bond future was $\frac{1}{32}$ higher at $105\frac{12}{32}$.

The curve that maps the yields from two-year notes to the long bond steepened by another basis point to 83 basis points yesterday.

Retail sales rose 0.8 per cent in May, just below the median economic forecast for a 0.9 per cent gain in sales last month. Excluding the volatile cars sector, retail sales rose 0.3 per cent last month.

Those figures provided some relief to investors worried that the figure might be much higher, but was not weak enough to remove the market's bearish tone.

Economists remained divided about whether the Federal Reserve would raise interest rates this summer, but the retail sales data helped support the gaining consensus that there would be no rate increase next month.

■ Fears that the government's debt issuance plans could lead to rises in interest rates lead to falls in German money market instruments and under-performance by short-dated paper.

At Liffe there was heavy selling of back months of the euromark contract. The June and September 1997 contracts worst hit closing at 95.62 and 95.27, both down 0.18.

GOVERNMENT BONDS

In the cash market yields on the two-year benchmark rose by 11 basis points, compared with a 7 basis point rise in the 10-year sector.

Mr Stuart Thomson, chief international economist at Nikko Europe, said the market was particularly concerned by plans to issue new 30-year bonds but that worries were "overdone".

He still expects another cut in the discount rate to 2½ per cent. Liffe's September 10-year futures contract drifted lower, closing at 94.93, down 0.43.

Mr Alex Cooper, a director with Credit Lyonnais Rouse, reported that US funds were active sellers of both the bund and other European contracts at Liffe earlier in the day. A number of European banks also unloaded futures to hedge positions in the cash market. He said that in the longer term the mismatch between interest rate outlook in Germany and the US could lead to a rise in volatility.

The volatility implied from prices of August put options on the bund contract ended yesterday at 5.4, off a recent high of 6.1 but well above the lows of 4.5 over the past month.

■ Other European markets also took their lead from the US with French, Italian and UK 10-year futures contracts losing ground after the opening of the US market.

At Matif, the June 10-year notional contract settled at 122.80, down 0.38.

At Liffe the September long gilt lost about a third of a point to settle at $104\frac{28}{32}$, despite better than expected news on the inflation front.

Headline inflation fell to 2.2 per cent in May from 2.4 per cent in April. The September BTP future settled at 115.11, down 0.35. Spanish 10-year futures followed the trend, closing at 98.86, down 0.64.

In the cash market 10-year yield spreads over bunds were little changed. The UK and Italy 10-year spreads stayed at 166 basis points and 307 basis points over Germany, while Spain narrowed by 6 basis points to 254.

The German 10-year spread over France narrowed by 1 basis point to 2.

Daimler in DM750m equity-linked bond offer

By Antonia Sharpe

A debut equity-linked bond offering from Daimler-Benz, the German industrial group, raised expectations yesterday that it was the first of many such offerings from German companies.

Daimler's DM750m warrant-bond offering, which could be increased to DM1.2bn, comes at a time when international investors are enthusiastic about German equities. They regard equity-linked bonds as a sound way to gain stock market exposure while receiving an income at the same time.

The offering, via Deutsche Morgan Grenfell and Goldman Sachs, represents DM750m of new shares and DM450m of old shares, but is by no means large in relation to Daimler's DM43.2bn capitalisation.

For Daimler, issuing the so-called notes with equity warrant securities enabled it to get round the tax problem which prevents German companies from issuing convertible bonds. It also raises capital more cheaply than through a rights issue.

German companies cannot tap into the strong international demand for convertible bonds, because a withholding tax payable on the coupon increases the cost of capital by 25 per cent.

However, since the warrant cannot be detached from Daimler's bonds, as was the case in past warrant-bond offerings from German companies, they are almost identical to convertible bonds.

Daimler's seven-year bonds will be offered first to existing shareholders at a price of 97.5 and thereafter to new investors between 97.5 and par. Coupon is likely to be 4 per cent and the conversion premium 14 per cent. Pricing is set for June 27.

Bundesbank plans short-term bills in policy switch

By Andrew Fisher in Frankfurt

The German government yesterday announced plans to issue a net DM20bn a year of short-term government bills as part of an overall policy aimed at strengthening the country's financial markets ahead of European monetary union.

This new departure in government debt policy was made possible by the decision of the Bundesbank to relax its objection to short-term issues. It had previously argued that these could jeopardise its conduct of monetary policy aimed at long-term stability.

The Bundesbank and the finance ministry said in a joint statement that government issues of so-called "Bubills" with six months' maturity would begin on a quarterly basis next month. Each issue will total about DM10bn, with a minimum denomination and bidding amount of DM1m. The paper will not be quoted and the Bundesbank will not take part in secondary market trading.

The move is a compromise between the finance ministry's desire to finance part of its budget deficit at the short-term end of the market where borrowing costs are lower, the Bundesbank's desire to maintain its long-term policy stance and big institutional investors' desire for a greater spread of government debt maturities.

With the approach of Emu, bankers have been pressing for Germany to issue short-term paper in line with other countries such as France to keep the domestic market competitive when the D-Mark disappears. The government also plans quarterly issues of two-year treasury notes from September and will revive the dormant 30-year bond sector with one new or reopened issue a year. Other moves to develop the German capital market include provision for the "stripping" of some 10- and 30-year bonds by allowing principal and interest to be traded separately. This will happen next year after technical issues have been cleared up.

The Bundesbank's concern over short-term issues was softened by the finance ministry's agreement that the net amount of treasury bills with maturities of less than a year outstanding in 1996 and 1997 would not exceed DM20bn annually. Mr Johann Wilhelm Gaddum, the central bank deputy president, said this strict volume limit "made it easier for us to put our objections into the background".

He said the changes to government issuing policy would help strengthen Finanzplatz Deutschland (Germany as a financial centre) without coming into conflict with the Bundesbank's monetary policies. Mr Jürgen Stark, state secretary at the finance ministry, said the volume of Bubills outstanding after 1997 would probably also be kept at around DM20bn a year.

Based on interest rates over the past 20 years, he said this volume of six-month paper would save the government some DM200m in annual interest payments. He dismissed suggestions that the move to short-term issuance would dent Germany's culture of financial stability – "we do not see this danger".

The German banking association, representing private sector banks, welcomed the move which it said would give German capital markets "a following wind". It would allow the market in German government issues to develop positively ahead of the euro's introduction and be competitive against other countries' treasury paper.

Baden-Württemberg deal stars in slow day

By Conner Middelmann

A benchmark dollar deal for Baden-Württemberg L-Finance was the highlight of an otherwise slow day in the eurobond market.

The triple-A rated development agency of the German state issued $500m of five-year

INTERNATIONAL BONDS

bonds via joint bookrunners J. P. Morgan and Merrill Lynch.

Despite its relatively aggressive pricing compared with recent issues from other German financial institutions, such as DSL and Südwestdeutsche Landesbank, the issue was fully placed by the time it was priced, a J. P. Morgan official said. The spread remained unchanged from its launch level at 16 basis points over Treasuries.

"People are buying 5-year paper at the moment, and after seeing the strong performance of recent dollar deals from the World Bank and Council of Europe, they were looking for this deal to perform," he said. Amid fears of volatility at the long end of the dollar yield curve and higher rates at the short end, "the five-year sector is a relatively defensive, neutral place to be", he said.

Argentina's guilder offering, the first public deal in that currency by an emerging-market borrower, was set at Fl 250m and priced at 308 basis points over Dutch state loans – at the lower end of the indicated 305-320 basis-point range.

In the French market, Philip Morris Capital Corp issued FFr1bn of 10-year bonds yielding 39 basis points over the interpolated French government bond yield curve. Lead manager Société Générale reported demand from institutional investors keen to pick up some yield.

● Bulgaria's finance minister, Mr Dimitar Kostov, told Japanese creditors yesterday that his government would not honour bonds issued by Mineralbank that are due to mature today, although the state owns 80 per cent of the ailing bank, Reuters reports.

The Industrial Bank of Japan bought the entire issue of samurai bonds, worth a total Y5bn, in 1989.

Last month the Bulgarian National Bank announced it planned to shut Mineralbank, saying it was insolvent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Baden-Württemberg L-Finance	500	7.00	99.785R	Jul 2001	0.25R	+16(5¾%-01)	Merrill Lynch/JP Morgan
Stadshypotek‡	100	(a)	100.008	Jul 1998	0.10	-	Salomon Brothers Intl
IRSA(b)§	80	(4¼-4¾)	100.00	Jul 2003	undisc	-	Deutsche Morgan Grenfell
D-MARKS							
Daimler-Benz Capital Lux(c)§	750	(c1)	97½-100	Jul 2003	2.50	-	Deutsche Morgan Grenfell
SWISS FRANCS							
Holderbank O'seas Finance(d)§	250	zero	65.37	Jun 2011	undisc	-	Merrill Lynch Capital Mkts
GUILDERS							
Asik-Cgar Ifico	110	5.50	101.80	Jul 2001	1.875	-	Abn-Cgar Bank
FRENCH FRANCS							
Philip Morris Capital Corp	1bn	6.875	99.51R	Jul 2006	0.425R	+39§	Société Générale
AUSTRALIAN DOLLARS							
Toyota Finance Australia	200	8.25	100.415	Jul 1999	1.50	-	Hambros Bank
Finnish Export Credit‡r	100	7.90	98.90	Jul 1999	0.20	-	Yamaichi Intl(Europe)
ECU							
Bayerische Vereinsbank	55	(e)	101.74	Jul 2002	1.875	-	Kredietbank Intl Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. §Convertible. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Fixing: 1/7/96. Callable after 4 yrs subject to 145% ADR hurdle. Puttable in 4 yrs at approx 123.7% subject to ADRs not exceeding knock-out level. Greenshoe: $12m. c) Fixing: 27/6/96. Conversion premium: 14%. Callable after 4 yrs subject to 130% hurdle. Can be increased to DM1,200m. c1) To be set at 7-yr bunds less 215bp. Quarterley coupons. d) Convertible into bearer shares at SFr1,151.7. Callable from 19/6/99 at accreted value. Puttable on 19/6/99 and on 19/6/04 at accreted value. e) 5¼% to 30/7/99, then 6%. ‡ Over interpolated yield.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	105.9690	-0.340	9.09	8.87	8.97
Austria		6.125	02/06	97.2000	-0.290	6.52	6.50	6.54
Belgium		7.000	05/06	101.4000	-0.550	6.80	6.70	6.76
Canada *		7.000	12/06	93.2500	-0.730	7.96	7.57	7.91
Denmark		8.000	03/06	103.2800	-0.340	7.50	7.42	7.45
France	BTAN	5.750	03/01	100.8750	+0.250	5.54	5.49	5.81
	OAT	7.250	04/06	104.7300	-0.460	6.58	6.47	6.50
Germany Bund		6.250	04/06	97.3400	-0.540	6.62	6.50	6.57
Ireland		8.000	08/06	101.2500	-0.200	7.81	7.70	7.81
Italy		9.500	02/06	100.3400	-0.320	9.44†	9.34	9.63
Japan	No 140	6.600	06/01	119.3695	-0.050	2.28	2.18	2.52
	No 182	3.000	09/05	98.5725	-0.280	3.20	3.15	3.42
Netherlands		6.000	01/06	96.4200	-0.510	6.51	6.34	6.48
Portugal		11.875	02/05	117.0050	-0.690	8.85	8.89	9.07
Spain		8.800	04/06	97.4600	-0.660	9.18	9.15	9.26
Sweden		6.000	02/05	85.4477	-0.060	8.43	8.35	8.59
UK Gilts		8.000	12/00	102-16	-1/32	7.35	7.29	7.57
		7.500	12/06	95-31	-8/32	8.09	7.98	8.24
		9.000	10/08	106-05	-11/32	8.19	8.09	8.34
US Treasury *		6.875	05/06	98-24	-15/32	7.05	6.75	6.86
		6.000	02/26	85-19	-22/32	7.20	6.90	7.09
ECU (French Govt)		7.500	04/06	102.9700	-0.280	7.03	6.95	6.95

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	[illegible]	Two year	6.38
Prime rate	8¼	Two month	[illegible]	Three year	6.65
Broker loan rate	7	Three month	5.25	Five year	6.82
Fed.funds	5¼	Six month	5.32	10-year	7.05
Fed.funds at intervention	-	One year	5.84	30-year	7.20

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.90	122.80	-0.38	122.98	122.78	132,106	89,327
Sep	121.40	121.20	-0.34	121.48	121.28	91,267	99,532
Dec	120.12	120.02	-0.36	120.12	120.00	3,543	14,019

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jul	Puts Aug	Puts Sep
120	-	1.64	-	0.01	0.30	0.56
121	0.89	-	1.24	0.30	-	0.80
122	0.13	0.44	-	-	-	1.40
123	0.02	0.16	0.28	-	-	2.02
124	0.01	0.04	0.17	-	-	-

Est. vol. total, Calls 18,389 Puts 18,034. Previous day's open int., Calls 102,456 Puts 117,101.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.10	94.93	-0.43	95.17	94.76	187737	188415
Dec	94.07	94.03	-0.43	94.16	94.07	4	1312

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9450	0.60	0.96	1.17	1.13	0.17	0.53	0.74	1.60
9500	0.29	0.67	0.86	0.91	0.36	0.74	0.95	1.88
9550	0.11	0.44	0.64	0.72	0.68	1.01	1.21	2.19

Est. vol. total, Calls 14692 Puts 14504. Previous day's open int., Calls 129711 Puts 101365

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.12	115.11	-0.35	115.36	114.87	40750	54967
Dec	114.60	114.46	-0.30	114.60	114.40	161	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11500	1.53	2.02	1.42	2.56
11550	1.29	1.81	[illegible]	2.85
11600	1.08	1.61	1.97	3.15

Est. vol. total, Calls 5918 Puts 3914. Previous day's open int., Calls 80685 Puts 40089

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.17	98.86	-0.64	99.40	98.69	70,690	38,812
Sep	98.50	98.25	-0.62	98.80	98.24	13,655	29,390

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-02	106-03	-0-10	106-10	106-02	2798	15927
Sep	104-29	104-31	-0-10	105-08	104-24	80299	117236

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
104	1-07	1-36	1-58	1-61	0-09	0-38	0-57	1-62
105	0-29	0-62	1-19	1-32	0-30	1-01	1-21	2-34
106	0-09	0-36	0-51	1-06	1-07	1-37	1-57	3-10

Est. vol. total, Calls 941 Puts 814. Previous day's open int., Calls 15919 Puts 29414

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	90.54	90.56	-0.24	90.68	90.50	1,467	3,983
Sep	90.14	90.16	-0.26	90.26	90.12	682	6,079

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	106-05	106-18	-0-07	106-27	106-02	6,450	72,791
Sep	106-02	106-15	-0-08	106-25	105-18	330,808	385,855
Dec	105-09	105-16	-0-07	105-21	105-09	1,123	10,845

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.77			118.62	118.67	2826	0
Dec	117.76			117.73	117.73	280	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jun 13	Day's change %	Wed Jun 12	Accrued interest	xd adj. ytd		Low coupon yield Jun 13	Jun 12	Yr. ago	Medium coupon yield Jun 13	Jun 12	Yr. ago	High coupon yield Jun 13	Jun 12	Yr ago
1 Up to 5 years (22)	121.85	0.08	121.75	2.46	4.26	5 yrs	7.43	7.46	7.82	7.45	7.48	7.40	7.58	7.59	7.88
2 5-15 years (19)	144.64	-0.09	144.76	1.84	5.84	15 yrs	8.28	8.25	8.05	8.29	8.26	8.11	8.37	8.34	8.22
3 Over 15 years (9)	158.78	-0.23	159.14	2.69	5.49	20 yrs	8.37	8.34	8.08	8.36	8.34	8.11	8.45	8.41	8.20
4 Irredeemables (6)	179.52	-0.06	179.61	1.74	8.12	Irred.†	8.42	8.42	8.16						
5 All stocks (56)	140.59	-0.06	140.67	2.27	5.13										

Index-linked							Inflation 5% Jun 13	Jun 12	Yr. ago	Inflation 10% Jun 13	Jun 12	Yr. ago
6 Up to 5 years (1)	197.06	-0.07	197.20	1.17	4.49	Up to 5 yrs	2.75	2.81	3.30	1.15	1.42	1.83
7 Over 5 years (11)	185.16	-0.23	185.58	1.50	1.81	Over 5 yrs	3.67	3.67	3.64	3.64	3.67	3.45
8 All stocks (12)	185.30	-0.22	185.72	1.49	1.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jun 13	Jun 12	Jun 11	Jun 10	Jun 7	Yr ago	High*	Low*
Govt. Secs. (UK)	92.04	92.27	92.44	92.41	92.29	93.51	96.34	91.59
Fixed Interest	111.66	111.58	111.64	111.91	112.01	112.82	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jun 12	Jun 11	Jun 10	Jun 7	Jun 6
Gilt Edged bargains	77.9	86.2	74.4	92.5	101.3
5-day average	86.7	85.1	83.9	84.4	82.1

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅛	95½	-⅛	7.40
ABN Amro Bank 7¼ 05	1000	97⅞	98⅜	-⅛	7.22
African Dev Bk 7¾ 23	500	98	98⅜	-⅛	8.01
Alberta Province 7⅞ 98	1000	101⅞	102⅛	-⅛	6.72
Asian Dev Bank 6¼ 05	750	92⅞	92⅞	-⅛	7.47
Sweden 3 97	2500	105⅛	105⅜		3.84
United Kingdom 7¼ 97	5500	104⅛	104⅜		3.78
Volkswagen Intl Fin 7 03	1000	102⅜	102½	-⅛	6.59
World Bank 0 15	2000	29⅜	30⅛	-⅛	8.41
World Bank 6¾ 03	3000	98⅛	98⅜	-⅛	6.69
Abbey Natl Treasury 8 03 £	1000	99⅛	99½		8.11
British Land 8⅞ 23 £	150	88⅛	89⅛	-⅛	10.30
Denmark 6¼ 98 £	800	100	100⅛		6.73
Depfa Finance 7⅞ 03 £	500	94⅛	94⅜	-⅛	8.20
EIB 8 03 £	1000	100⅛	100⅜	-⅛	7.93
Glaxo Wellcome 8¾ 05 £	500	100⅞	101⅛	-⅛	8.60
Hanson 10⅜ 97 £	500	104½	104⅜		8.72

[illegible]

هكذا من الاصل

CURRENCIES AND MONEY

MARKETS REPORT

US dollar held back by signs of D-Mark strength

By Graham Bowley

Expectations of a turn in the German interest rate cycle again held the dollar back on the foreign exchanges yesterday as it failed to push through key technical levels against the D-Mark.

The Swiss franc strengthened slightly, although the country's finance minister said there was a good chance the currency would soon resume its recent weaker trend.

The pound fell in spite of figures which showed inflation fell to its lowest rate for 20 months in May. Economists said the figures provided further justification for last week's quarter point cut in UK interest rates.

The Mexican peso continued to weaken. Analysts said expectations of a rise in US interest rates were triggering investment flows out of the country.

The Bundesbank left interest rates unchanged after its regular policy meeting. The repo rate, the central bank's key money market rate, was also held steady at a fixed rate of 3.3 per cent.

The dollar finished in London broadly unchanged at DM1.536. Against the yen, it closed at Y109.2, from Y109.4750.

Sterling's trade weighted index finished at 85.6, down from 85.9. Against the D-Mark, the pound closed at DM2.348, from DM2.3575, while against the dollar it finished at $1.529 from $1.5345.

■ Debate on the exchanges again revolved around whether the dollar has enough momentum to push through the key DM1.54 level against the D-Mark, or whether its rally is now set to be reversed.

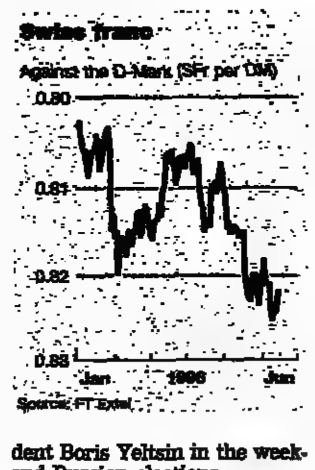
Mr Kirit Shah, chief market strategist at Sanwa International in London, said the possibility that the US authorities could raise short-term interest rates as early as next month meant that the outlook was still favourable for the dollar.

He said there might be a short-term backlash in the US government bond market against higher rates, which could drag the dollar lower. But the higher yields on US assets would make them more attractive to investors.

"We could see the dollar down to Y105 before we see the rally continue but it will then go above Y110," he said.

Mr Julian Jessop, chief international economist at Nikko Europe in London, thinks the dollar could rally to DM1.60.

He said the catalysts which could bring this about might include higher US interest rates, more subdued German M3 money supply figures, or a poor showing by Russian President Boris Yeltsin in the weekend Russian elections.



But Mr Joe Prendergast, currency strategist at Merrill Lynch in London, said he was seeing rising interest for D-Mark call contracts in the options markets. This reflected a growing nervousness that the rally in peripheral European currencies was nearing an end and that markets could be entering a corrective phase in which the D-Mark would gain, he said.

Short-term euromark interest rate futures contracts experienced a slight setback yesterday, reflecting a small upward revision to market expectations of German interest rates. The move followed a similar sell-off recently in Swiss interest futures.

"The general move higher in interest rates expectations will unnerve the peripheral markets," Mr Prendergast said.

■ Market attention is beginning to turn towards the Russian presidential elections which take place on Sunday.

The rouble has so far appeared untroubled by the approaching vote.

But analysts predict that some currencies – such as the Swiss franc, the dollar and sterling – could benefit as "safe havens" closer to the election.

"The market is assuming an outright win for Yeltsin on Sunday but many people could be caught out," according to Mr Jessop.

■ Sterling continued to lose ground against the dollar and the D-Mark yesterday. The pound has risen strongly this year but it has begun to weaken slightly since last week's interest rates cut, on fears that the move may have been politically motivated.

But Ms Katie Peters, gilts analyst at Daiwa in London, said she thought the pound had survived the rate cut reasonably well.

She said data since the cut had "played into the chancellor's hands" and probably vindicated the loosening of policy.

■ Pound in New York

Jun 13	Latest	Prev. close
£ spot	1.5350	1.5355
1 mth	1.5345	1.5351
3 mth	1.5341	1.5345
1 yr	1.5334	1.5344

■ OTHER CURRENCIES

Jun 13	£	$
Czech Rp	42.7891 - 42.8324	27.9850 - 27.9950
Hungary	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Poland	4.1826 - 4.1930	2.7355 - 2.7405
Russia	[illegible]	[illegible]
U.A.E.	5.6157 - 5.6198	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jun 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5253	-0.0553	167 - 339	16.5668	16.5146	16.4941	2.3	16.4191	2.6	-	-	104.9
Belgium	(BFr)	48.3093	-0.1917	705 - 480	48.4650	48.2704	[illegible]	2.6	47.9943	2.6	46.9943	2.7	106.6
Denmark	(DKr)	9.0570	-0.0357	517 - 622	9.0870	9.0483	9.0427	1.9	9.0137	1.9	8.8918	1.8	107.3
Finland	(FM)	7.1861	-0.0139	786 - 936	7.2110	7.1670	7.1817	0.7	7.1736	0.7	-	-	83.5
France	(FFr)	7.9675	-0.0246	641 - 708	7.9886	7.9590	7.9546	1.9	7.9297	1.9	7.8171	1.9	108.7
Germany	(DM)	2.3482	-0.0093	470 - 493	2.3566	2.3458	2.3434	2.4	[illegible]	2.7	2.287	2.6	108.2
Greece	(Dr)	371.615	-0.992	394 - 836	372.992	369.753	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9721	-0.002	714 - 727	0.9746	0.9710	0.9716	0.6	0.9704	0.7	0.9665	0.6	99.1
Italy	(L)	2372.41	-5.84	087 - 395	2381.20	2370.87	2378.96	-3.3	2390.11	-3.0	2423.36	-2.1	76.5
Luxembourg	(LFr)	48.3093	-0.1917	705 - 480	48.4650	48.2840	48.2043	2.6	47.9943	2.6	47.5943	1.5	[illegible]
Netherlands	(Fl)	2.6291	-0.0101	277 - 305	2.6377	2.6273	2.6226	3.0	2.6092	3.0	2.5526	2.9	106.7
Norway	(NKr)	10.0397	-0.0321	307 - 487	10.0686	10.0305	10.0312	1.0	10.0142	1.0	9.9307	1.1	96.5
Portugal	(Es)	241.814	-1.297	582 - 046	242.848	241.544	242.239	-2.1	243.144	-2.2	-	-	94.6
Spain	(Pta)	198.231	-0.602	128 - 334	198.811	198.040	198.491	-1.6	199.006	-1.6	200.406	-1.1	80.2
Sweden	(SKr)	10.2760	-0.0278	649 - 870	10.3180	10.2649	[illegible]	0.0	10.2764	0.0	10.2744	0.0	89.9
Switzerland	(SFr)	1.9311	-0.01	298 - 324	1.9395	1.9298	1.9261	3.1	1.9165	3.5	1.8671	[illegible]	110.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.6
Ecu	-	1.2419	-0.0042	411 - 426	1.2457	1.2404	1.2406	1.3	1.2376	1.4	1.2243	1.4	-
SDR†	-	1.087900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5274	-0.005	267 - 280	1.5362	1.5277	-	-	-	-	-	-	-
Brazil	(R$)	1.5295	-0.0064	287 - 302	1.5362	1.5277	-	-	-	-	-	-	-
Canada	(C$)	2.0929	-0.0044	918 - 940	2.1018	2.0904	2.0922	0.4	2.0905	0.5	2.0805	0.6	84.5
Mexico	(New Peso)	11.6548	+0.0255	357 - 738	11.7104	11.6357	-	-	-	-	-	-	-
USA	($)	1.5295	-0.005	290 - 300	1.5370	1.5275	1.5291	0.3	1.5286	0.2	1.528	0.1	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.9294	-0.0095	281 - 306	1.9415	1.9274	1.932	-1.6	1.937	-1.6	1.9623	-1.7	94.2
Hong Kong	(HK$)	[illegible]	-0.0373	375 - 466	11.8879	11.8274	11.8841	0.8	11.8226	0.7	[illegible]	0.3	-
India	(Rs)	53.3797	-0.0978	583 - 030	53.7030	53.0583	-	-	-	-	-	-	-
Israel	(Shk)	5.0003	-0.0163	943 - 062	5.0231	4.9943	-	-	-	-	-	-	-
Japan	(Y)	166.937	-1.052	814 - 061	167.600	166.740	166.212	5.2	164.722	5.3	158.307	5.2	134.5
Malaysia	(M$)	3.8134	-0.0108	113 - 154	3.8302	3.8091	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2718	-0.0058	702 - 734	2.2893	2.2700	2.2768	-2.6	2.2882	[illegible]	2.3201	-2.1	108.2
Philippines	(Peso)	40.0500	-0.1309	834 - 166	40.1166	39.9834	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7364	-0.0185	341 - 386	5.7644	5.7292	-	-	-	-	-	-	-
Singapore	(S$)	2.1566	-0.0063	544 - 588	2.1652	2.1530	-	-	-	-	-	-	-
South Africa	(R)	6.6037	-0.043	992 - 081	6.6337	6.5973	-	-	-	-	-	-	-
South Korea	(Won)	1220.06	+0.40	853 - 059	[illegible]	[illegible]	-	-	-	-	-	-	-
Taiwan	(T$)	[illegible]	-0.2641	766 - 196	42.5241	42.2507	-	-	-	-	-	-	-
Thailand	(Bt)	38.7927	-0.1264	724 - 130	38.9800	38.7500	-	-	-	-	-	-	-

† Rates for Jun 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8044	-0.0073	023 - 065	10.8100	10.7800	10.7848	2.2	10.7429	2.3	10.5594	2.3	104.6
Belgium	(BFr)	31.5850	-0.022	700 - 000	31.6000	31.5160	31.53	2.1	31.415	2.2	30.875	2.2	106.2
Denmark	(DKr)	5.9215	-0.004	200 - 230	5.9245	5.9105	5.914	1.5	5.897	1.7	5.828	1.6	106.4
Finland	(FM)	4.6983	+0.0062	948 - 018	4.7018	4.6758	4.6918	1.7	4.6798	1.6	4.6343	1.4	82.9
France	(FFr)	5.2092	+0.0006	057 - 097	5.2185	5.1980	[illegible]	1.6	5.188	1.6	5.1202	1.7	106.2
Germany	(DM)	1.5353	-0.001	350 - 355	[illegible]	[illegible]	[illegible]	2.0	1.5271	2.1	1.4988	2.4	107.6
Greece	(Dr)	242.965	+0.145	900 - 030	243.150	240.980	244.64	-8.3	247.99	-8.3	[illegible]	-7.8	67.0
Ireland	(I£)	1.5735	-0.0019	730 - 740	1.5786	1.5720	1.574	-0.4	1.5749	-0.4	1.5654	0.4	-
Italy	(L)	1551.10	+1.25	060 - 160	[illegible]	[illegible]	1555.85	-3.7	1564	-3.3	1586.75	-2.3	76.2
Luxembourg	(LFr)	31.5850	-0.022	700 - 000	31.6000	31.5160	31.532	2.0	31.4255	2.0	30.945	2.0	106.2
Netherlands	(Fl)	1.7190	-0.0009	186 - 193	1.7200	1.7156	1.7157	2.3	1.7088	2.4	1.6768	2.5	[illegible]
Norway	(NKr)	6.5641	+0.0005	603 - 678	6.5676	6.5480	6.5611	0.5	6.5556	0.5	6.5191	0.7	97.7
Portugal	(Es)	158.100	-0.33	000 - 200	158.200	158.080	[illegible]	-2.4	159.005	-2.3	161.15	-1.9	94.4
Spain	(Pta)	129.605	+0.03	600 - 630	129.680	129.400	129.855	-2.3	130.285	-2.1	131.825	-1.7	80.0
Sweden	(SKr)	6.7185	+0.0039	155 - 215	6.7280	6.6986	6.7295	-2.0	6.747	-1.7	6.789	-1.0	89.4
Switzerland	(SFr)	1.2628	-0.0024	621 - 630	1.2636	1.2605	1.2591	3.4	1.2518	3.5	1.2181	3.5	110.0
UK	(£)	1.5295	-0.005	290 - 300	1.5370	1.5275	1.5291	0.3	1.5286	0.2	1.528	0.1	85.6
Ecu	-	1.2317	+0.0002	313 - 320	1.2347	1.2313	1.2325	-0.7	1.2341	-0.8	1.2429	-0.9	-
SDR†	-	0.69540	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-	995 - 997	1.0001	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.0000	-0.0009	[illegible] - 001	1.0006	0.9996	-	-	-	-	-	-	-
Canada	(C$)	1.3684	+0.0016	681 - 686	1.3689	1.3670	1.3682	0.1	1.3685	0.0	1.3713	-0.2	83.6
Mexico	(New Peso)	7.6200	+0.0415	100 - 300	7.6300	7.6100	7.7815	-25.4	7.9666	-19.2	9.73	-27.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.4
Pacific/Middle East/Africa													
Australia	(A$)	1.2614	-0.002	610 - 618	1.2618	1.2610	1.2634	-1.9	1.2669	-1.7	1.2856	-1.9	95.4
Hong Kong	(HK$)	7.7428	+0.0009	420 - 430	7.7430	7.7412	7.7432	-0.1	7.745	-0.1	7.772	-0.4	-
India	(Rs)	34.9000	+0.05	000 - 000	35.1000	34.7000	35.05	-5.2	35.355	-5.2	36.835	-5.5	-
Israel	(Shk)	3.2692	-	664 - 720	3.2720	3.2660	-	-	-	-	-	-	-
Japan	(Y)	109.145	-0.33	100 - 190	109.260	108.870	108.7	4.9	107.8	4.9	104.06	4.7	134.5
Malaysia	(M$)	2.4932	+0.0012	927 - 937	2.4944	2.4910	2.4941	-0.4	2.5002	-1.1	2.5237	-1.2	-
New Zealand	(NZ$)	1.4852	+0.0011	846 - 858	1.4861	1.4846	1.4883	-2.5	1.4941	-2.4	1.5187	-2.3	-
Philippines	(Peso)	26.1850	-	500 - 200	26.2200	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	502 - 507	3.7507	3.7502	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4100	+0.0005	090 - 110	1.4110	1.4088	1.4064	3.0	1.4004	2.7	1.375	2.5	-
South Africa	(R)	4.3175	-0.014	160 - 190	4.3250	4.3005	4.365	-13.2	4.455	-12.7	4.7825	-11.0	-
South Korea	(Won)	797.700	+2.9	600 - 800	798.200	795.200	-	-	-	-	-	-	-
Taiwan	(T$)	27.5550	-0.062	500 - 600	27.7000	27.5500	27.56	-0.2	27.585	-0.1	-	-	-
Thailand	(Bt)	25.3600	-0.001	580 - 620	25.3680	25.2570	25.4617	-4.7	25.6555	-4.8	26.548	-4.7	-

† SDR rate per $ for Jun 12 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 12: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

June 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	[illegible]	[illegible]	7.00	2.50	-
week ago	3¼	3¼	3¼	[illegible]	[illegible]	7.00	2.50	-
France	3¾	[illegible]	[illegible]	4	[illegible]	3.60	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.60	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	3½	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	3¼	3⅝	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	5¼	[illegible]	5½	-	-	6.25
week ago	5¼	[illegible]	5⅛	5¼	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.35
week ago	9¼	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.35
Netherlands	2¾	[illegible]	[illegible]	[illegible]	3¼	-	3.00	[illegible]
week ago	2⅝	[illegible]	2¾	2⅞	3¼	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	2¾	5.00	1.50	-
week ago	2½	[illegible]	[illegible]	[illegible]	2⅝	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	5¼	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	⅜	⅜	½	[illegible]	[illegible]	-	0.50	-
week ago	½	⅜	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.98	5.20	[illegible]	5.87	-	-	-
week ago	-	4.98	5.11	5.31	5.72	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	4½	-	-	-
SDR Linked Ds	-	[illegible]	3¾	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	3½ - 3¼	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	7½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Italian Lira	[illegible]	[illegible]	[illegible] - 9	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.02	96.00	-0.03	96.02	95.99	14,199	42,602
Sep	95.87	95.82	-0.06	95.87	95.82	26,463	50,471
Dec	95.70	95.66	-0.06	95.72	95.68	10,579	31,592

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.63	96.62	-0.02	96.66	96.59	26229	156922
Sep	96.63	96.59	-0.07	96.68	96.55	61902	219415
Dec	96.43	96.35	-0.11	96.44	96.32	61343	199623
Mar	96.10	96.03	-0.12	96.13	95.99	44845	175618

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.21	91.21	-0.05	91.24	91.18	6335	34236
Sep	91.91	91.87	-0.08	91.93	91.85	13689	50042
Dec	92.22	92.16	-0.08	92.22	92.15	4018	29607
Mar	92.21	92.20	-0.06	92.25	92.19	1845	12763

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.38	97.36	-0.04	97.41	97.34	3271	18941
Sep	97.31	97.26	-0.08	97.35	97.23	6694	38903
Dec	97.17	97.05	-0.09	97.17	97.03	2697	16521
Mar	96.78	96.75	-0.09	96.81	96.75	926	7402

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.42	+0.01			0	na
Sep	99.15	99.16	-	99.15	99.15	10	na
Dec	98.81	98.81	-0.01	98.81	98.81	400	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.54	95.53	-0.04	95.56	95.52	2007	7586
Sep	95.54	95.51	-0.07	95.58	95.49	2399	5850
Dec	95.43	95.36	-0.11	95.44	95.36	188	3708
Mar	95.21	95.15	-0.10	95.21	95.15	180	2578

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.75	16.49	4.860	2.012	4910	5.442	20.78	500.5	410.3	21.26	3.997	2.070	4.332	3.166	345.5	2.571
Denmark	(DKr)	53.34	10	8.798	2.592	1.073	2619	2.903	11.09	267.0	218.8	11.34	2.132	1.104	2.311	[illegible]	184.3	1.371
France	(FFr)	60.63	11.37	10	2.947	1.220	2977	3.299	12.60	303.5	248.7	12.89	[illegible]	1.255	2.627	1.919	209.5	1.559
Germany	(DM)	20.57	3.857	3.394	1	0.414	1010	1.120	4.276	103.0	84.41	4.374	0.822	0.426	0.891	0.651	71.08	0.529
Ireland	(I£)	49.70	9.318	8.198	2.416	1	2440	2.705	10.33	248.8	203.9	10.57	1.987	1.029	2.153	1.573	171.7	1.278
Italy	(L)	2.037	0.382	0.336	0.099	0.041	100.	0.111	0.423	10.19	8.356	0.433	0.081	0.042	0.088	0.064	7.036	0.052
Netherlands	(Fl)	18.38	3.445	3.031	0.893	0.370	902.2	1	3.819	91.97	75.39	3.906	0.734	0.380	0.796	0.582	63.48	0.472
Norway	(NKr)	48.12	9.021	7.936	2.339	0.968	2363	2.619	10	240.8	197.4	10.23	1.923	0.996	2.085	1.523	166.2	1.237
Portugal	(Es)	19.98	3.746	3.295	0.971	0.402	981.0	1.087	4.152	100.	81.97	4.247	0.799	0.414	0.866	0.632	69.02	0.514
Spain	(Pta)	24.37	4.570	4.020	1.185	0.490	1197	1.326	5.066	122.0	100.	5.182	0.974	0.505	1.056	0.771	84.21	0.627
Sweden	(SKr)	47.04	8.818	7.759	2.286	0.946	2310	2.560	9.776	235.4	193.0	10	1.880	0.974	2.038	1.489	162.5	1.209
Switzerland	(SFr)	25.02	4.690	4.126	1.216	0.503	1228	1.361	5.199	125.2	102.6	5.318	1	0.518	1.084	0.792	86.43	0.643
UK	(£)	48.31	9.057	7.968	2.348	0.972	2372	2.629	10.04	241.8	198.2	10.27	1.931	1	2.093	1.529	166.9	1.242
Canada	(C$)	23.08	4.327	3.807	1.122	0.464	1133	1.256	4.797	115.5	94.70	4.907	0.923	0.478	1	0.731	79.74	0.593
US	($)	31.60	5.923	5.211	1.536	0.636	1551	1.719	6.566	158.1	129.6	6.717	1.263	0.654	1.369	1	109.2	0.812
Japan	(Y)	28.95	5.427	4.774	1.407	0.582	1421	1.575	6.016	144.9	118.8	6.153	1.157	0.599	1.254	0.916	100.	0.744
Ecu		38.90	7.292	6.415	1.890	0.783	1910	2.117	8.084	194.7	159.6	8.269	1.555	0.805	1.685	1.231	134.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6527	0.6520	-0.0002	0.6522	0.6516	11,981	38,162
Sep	0.6559	0.6558	-0.0001	0.6558	0.6551	17,840	40,952
Dec	-	0.6600	-	0.6600	0.6586	54	1,649

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7925	0.7925	+0.0009	0.7928	0.7917	4,914	20,331
Sep	0.7978	0.7983	+0.0011	0.7985	0.7973	9,967	32,907
Dec	0.7990	0.8044	+0.0009	0.8040	0.8029	90	1,012

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9178	0.9162	-0.0011	0.9168	0.9156	8,381	35,658
Sep	0.9295	0.9278	-0.0012	0.9286	0.9272	18,258	68,428
Dec	0.9402	0.9400	-0.0011	0.9402	0.9400	84	3,494

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5332	1.5334	-0.0006	1.5340	1.5326	5,102	33,709
Sep	1.5348	1.5324	-0.0008	1.5300	1.5312	9,766	35,093
Dec	-	1.5310	-	-	-	3	62

UK INTEREST RATES

LONDON MONEY RATES

Jun 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 5¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	6 - [illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jun 6, 5.6301pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1996. Agreed rate for period Jun 26, 1996 to Jul 25, 1996, Schemes II & III 7.35pc. Reference rate for period May 1, 1996 to May 31, 1996, Schemes IV & V 6.104pc. Finance House Base Rate 6.5pc from Jun 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.09	94.10	-	94.11	94.09	5306	58886
Sep	94.14	94.16	-	94.20	94.13	18950	77721
Dec	93.94	93.97	+0.01	94.03	93.93	28642	82490
Mar	93.57	93.59	-	93.65	93.56	14805	55386
Jun	93.14	93.15	-0.01	93.22	93.12	5650	39975

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9400	0.10	0.21	0.21	0	0.05	0.24
9425	0	0.07	0.11	0.15	0.16	0.39
9450	0	0.02	0.05	0.40	0.36	0.58

Est. vol. total, Calls 2405 Puts 10177. Previous day's open int., Calls 189202 Puts 132108

EMS EUROPEAN CURRENCY UNIT RATES

Jun 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.562	+0.082	-0.57	1.69	4
Netherlands	2.15214	2.14162	-0.00165	-0.48	1.60	4
Ireland	0.792214	0.790551	+0.000602	-0.21	1.52	1
Belgium	39.3960	39.3527	-0.0357	-0.11	1.42	1
Germany	1.91007	1.91281	-0.0014	0.14	1.16	-1
Austria	13.4383	13.4610	-0.0105	0.17	1.14	-1
Portugal	195.792	197.166	-0.224	0.70	0.60	-5
Denmark	7.28580	7.37750	-0.00809	1.26	0.05	-9
France	6.40608	6.48990	+0.0009	1.31	0.00	-11
NON ERM MEMBERS						
Greece	292.867	302.754	+0.116	3.38	-2.00	-
Italy	2106.15	1932.49	+1.38	-8.25	10.41	-
UK	0.786652	0.813084	+0.002264	3.36	-1.98	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Puts Jun	Puts Jul	Puts Aug
1.510	2.42	2.57	2.87	-	0.28	0.51
1.520	1.43	1.85	2.23	-	0.45	0.82
1.530	0.57	1.20	1.63	0.09	0.74	1.20
1.540	0.08	0.71	1.15	0.59	1.26	1.72
1.550	-	0.44	0.77	1.45	1.92	2.34

Previous day's vol., Calls 1,109 Puts 5,184. Prev. day's open int., Calls 199,592 Puts 194,576

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.41	94.40	-0.01	94.41	94.39	43,265	316,239
Sep	94.08	94.10	-0.02	94.11	94.05	74,197	386,046
Dec	93.48	93.71	+0.02	93.73	93.63	129,038	425,891

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.87	94.88	-	94.88	94.87	2,857	4,169
Sep	94.55	94.58	+0.01	94.59	94.55	206	5,639
Dec	94.25	94.31	+0.04	94.31	94.25	98	1,492

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9650	0.13	0.12	0.14	0.16	0.01	0.03	0.05	0.07
9675	0	0.01	0.03	0.04	0.13	0.17	0.19	0.20
9700	0	0	0	0.01	0.38	0.41	0.41	0.42

Est. vol. total, Calls 7785 Puts 9161. Previous day's open int., Calls 382004 Puts 390148

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9750	0.02	0.09	0.09	0.16	0.35	0.54
9775	0.01	0.02	0.04	0.40	0.53	0.74

Est. vol. total, Calls 1500 Puts 100. Previous day's open int., Calls 11103 Puts 7021

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9100	0.21	0.94	1.25	0	0.07	0.10
9125	0.02	0.74	1.04	0.06	0.12	0.14
9150	0	0.54	0.84	0.29	0.17	0.19

Est. vol. total, Calls 2779 Puts 200. Previous day's open int., Calls 54247 Puts 29846

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	6.00
Allied Trust Bank	5.75	Exeter Bank Limited	7.00	●Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	United Bank of Kuwait	6.00
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	6.00	●Hill Samuel	6.00	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75	* In administration	
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	6.00	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	* Mount Credit Corp	6.00		
Cyprus Popular Bank	6.00	NatWestminster	5.75		
		●Rea Brothers	5.75		

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	478xd	—	556	462	4,937	6.2	18.0
Bulmer (HP)	[illegible]	578	—	582	442	305.2	2.7	18.1
Burn St Dist	[illegible]	104	-4	148	101	61.7	6.0	22.5
Glenmorangie A	[illegible]	680	+2	698	600	93.2	2.2	17.2
Grand Met	[illegible]	425	-4	487	374	8,887	4.5	17.8
Guinness	[illegible]	483	+1	535	435	9,691	4.0	15.1
Highland	[illegible]	373	—	408	315	487.2	2.7	17.4
Kirin Y		775¼	-5½	879¼	621	8,164	0.8	30.8
Macallan-Glen	[illegible]	178	—	217	160	206.6	1.0	36.1
Matthew Clark	[illegible]	778	—	803	580	687.9	3.5	—
Merrydown	[illegible]	132	—	140	75	14.4	1.9	—
Seagram $		[illegible]	[illegible]	[illegible]	[illegible]	6,145	1.3	—

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		[illegible]	—	59½	50½	6.31	19.8	—
Cater Allen	[illegible]	387	—	528	387	126.2	9.7	8.4
Close Bros	[illegible]	377	-1	392	271½	454.3	3.0	16.7
Gerrard & Nat	[illegible]	363	—	472	355	180.0	8.1	Φ
Hambros	[illegible]	231	—	252	180	408.9	4.1	Φ
7½pc Cv Pf		110	—	117	94½	141.7	8.6	—
King & Shaxson	[illegible]	171	—	175	110	45.1	6.6	13.3
Leopold J	[illegible]	428	—	483	353	22.7	5.5	14.7
Rea Brothers	[illegible]	64	—	67	44	29.1	2.3	25.6
Schroders	[illegible]	1343	-7	1478	1130	2,027	1.5	16.7
NV	[illegible]	[illegible]	-7	1180	890	463.3	1.9	14.7
Singer & Fried	[illegible]	114	-1	116	80	225.2	4.4	9.4
[illegible]								

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

PAPER, PACKAGING & PRINTING

TELECOMMUNICATIONS

RETAILERS, FOOD

LIFE ASSURANCE

TEXTILES & APPAREL

AMERICANS

MEDIA

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

TOBACCO

TRANSPORT

SOUTH AFRICANS

OTHER INVESTMENT TRUSTS

OIL EXPLORATION & PRODUCTION

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

GUIDE TO LONDON SHARE SERVICE

PROPERTY

INVESTMENT COMPANIES

WATER

SUPPORT SERVICES

AIM

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

LGT Asset Management Ltd - Contd.

[illegible]

Dynamic Pacific Portfolio Fund Plc

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd

Falcon Market Fund Plc

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

[illegible]

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

[illegible]

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

[illegible]

Lombard Odier (Jersey) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Fidelity Funds - Contd.

Fleming Group

[illegible]

Schroder International Selection Fd

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأصل

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Equities stifled by bond market uncertainty

By Steve Thompson, UK Stock Market Editor

A new bout of encouraging economic news could do nothing to prevent a modest sell-off in both London and New York yesterday.

Both markets took their cues from another nervous trading session in bond markets across the globe and were additionally unsettled by growing unease over the forthcoming Russian presidential election.

The Russian poll, which many see as having the potential for a return to Communist rule, is seen by international market strategists as likely to cause the most disruption to the German bund and equity markets.

"Any big pressure on those markets and we could be in for a hot time," said a senior trader at one of the big European securities houses.

Dealers in London stocks said they had made every effort to reduce their trading books ahead of the weekend, with one eye on the news from Russia and the other on the next set of economic news from the US – industrial and manufacturing production for May due today.

UK inflation figures for May came in slightly below consensus forecasts and the general feeling around the market was that the chancellor's speech at the Mansion House on Wednesday evening had gone down well, focusing on low inflation and low interest rates.

The FT-SE 100 index ended the day a net 7.5 off at 3,761.7, well above the session low. The FT-SE Mid 250 index, however, was rarely pressured and finished 0.6 up at 4,468.0.

The big institutions were said to have held back from the market, which some of the more bearish observers see as having the potential to retrace to around the 3,650 level on the FT-SE 100.

Renewed weakness in the US bond market overnight drove the yield on the long bond up to its highest so far this year, and promoted renewed unease in the gilts market at the outset.

Opening some 6 points lower, the Footsie attempted to gather itself for a rally early in the session but ran into pockets of selling pressure that increased in size throughout the morning.

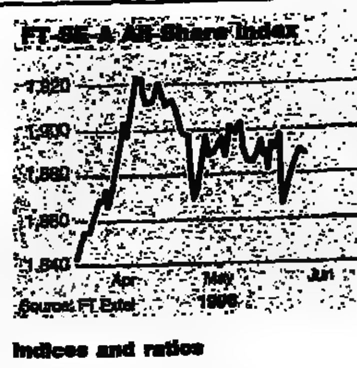
At its worst, the index was down 15.5 points, but it then embarked on a hard fought rally which left the index well clear of the low at the close of play. The Dow Jones Industrial Average was down by some 20 points shortly after London closed, in spite of the lower than expected retail sales numbers.

Consumer stocks were well to the fore yesterday, responding to the recent British Retail Consortium survey, which reported a 6.2 per cent increase in high street sales in May.

A number of powerful broking houses gave a push to Asda, projecting the stock to the top of both the FT-SE 100 performance and turnover tables, while there were good gains too in Marks and Spencer, Granada and Boots. Prudential featured on the upside as the market began to doubt the chances of an early acquisition and therefore the need for a big cash call.

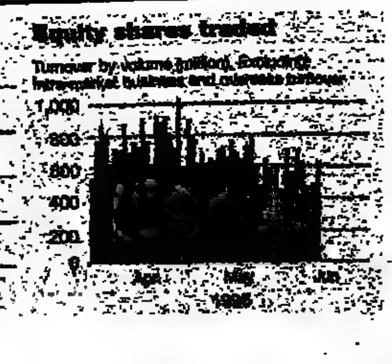
Turnover amounted to 753.9m shares, while the value of customer activity on Wednesday picked up well to reach £1.76bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3761.7	−7.5
FT-SE Mid 250	4468.0	+0.6
FT-SE-A 350	1901.7	−2.9
FT-SE-A All-Share	1887.80	−2.70
FT-SE-A All-Share yield	3.81	3.81
FT Ordinary Index	2781.5	−6.1
FT-SE-A Non Fins p/e	16.91	16.01
FT-SE100 Fut Jun	3757.0	−10.0
10 yr Gilt yield	8.07	8.03
Long gilt/equity yld ratio:	2.21	2.21

Best performing sectors

1. Breweries: Pubs & Rest .... +0.9
2. Life Assurance .... +0.8
3. Leisure & Hotels .... +0.7
4. Paper: Pckg & Print .... +0.7
5. Retailers: General .... +0.6

Worst performing sectors

1. Gas Distribution .... −2.0
2. Transport .... −1.4
3. Diversified Inds .... −1.0
4. Household Goods .... −0.9
5. Tobacco .... −0.8

Asda up on broker buy tips

Brokers' buy recommendations and favourable market share data combined to drive Asda Group forward.

The shares topped the list of the day's best performers as they put on 2¾ to 120¾p, in an active session that brought turnover of 23m, the highest individual total of the day.

The market was cheered by figures released late on Wednesday by AGB, the market consultants. They showed that in the four weeks to June Asda had raised its share of the UK food retailing market by 1.4 percentage points on the same period a year ago.

Sentiment was further enhanced by recommendations from Robert Fleming Securities, SGST, NatWest Securities, UBS and Kleinwort Benson.

In a sector review entitled 'Shelf Life', analysts at Kleinwort said they favoured the stock because of the strong trading revealed by the market share figures; the group is likely to beat current market profits estimates, when it reports figures shortly. They also pointed out: "Asda is on a similar rating to Tesco and J. Sainsbury, yet it is growing much faster than they are."

Dealers also reported switching out of both Tesco and Sainsbury and into Asda. Shares in Tesco fell 4½ to 310½p in volume of 11m, while those in Sainsbury eased 1½ to 397½p, with turnover reaching 4.7m. ABN Amro Hoare Govett was said to have been a seller of Sainsbury.

Pru recovers

Prudential moved higher after SBC Warburg said the stock had been oversold.

Warburg hosted a presentation held by the company for institutional investors on Wednesday night. And the insurer is believed to have said it is not desperately keen to pay a high price to involve itself in sector consolidation.

Pru shares have been overshadowed recently by the prospect of a big rights issue to fund an acquisition.

Also, Warburg pointed out that the Pru had underperformed the market by 7 per cent over the past month. Thirdly, US credit ratings agency Standard & Poor's has affirmed its AA+ senior debt ratings of Prudential Corp.

Finally, a buyer of 6m shares at the start of trading yesterday created an appetite for the stock. The shares gained 6½ to 418½p. However, at least one of the perceived takeover targets took a knock. Guardian Royal Exchange fell 8 to 267p on heavy turnover of 10m shares.

Cookson slides

Conglomerates stayed firmly out of favour, with Cookson Group falling more than 4 per cent and the four sector leaders all prominent at the bottom end of the Footsie rankings.

Worries about slowing demand in increasingly competitive electronics markets, notably in the US, have led a number of brokers to downgrade profits estimates at Cookson. Henderson Crosthwaite and ABN Amro Hoare Govett both moved lower.

ABN, which claimed to be top of the range of City forecasts, came down by £7m to £221m for this year.

The US semiconductor book-to-bill ratio edged up in May from 0.81 to 0.84, but remained visibly shy of the neutral level of 1. "FKI is facing tough trading over the first half of this year," said one analyst.

Cookson weakened 13 to 307p in the heaviest volume for five years. Turnover was 17m shares. BTR dipped 3½ to 265½p, a four-year low for the shares, and Tomkins came off 4½ to 249½p.

The prospect of a political showdown in the utilities sector was reignited by comments from London Electricity as it unveiled its results.

Analysts said Sir Bob Reid, the chairman, fired a warning shot at the opposition Labour party's proposals for a windfall tax on profits.

Apparently, he argued that the company made a good job of keeping the lights on in London and hinted that, if a tax were imposed, it would be the customer that suffered.

That, combined with a final dividend up 21 per cent but still slightly down on forecasts, sent London's share price down 30 to 662p. Elsewhere in the sector, Southern Electric dipped 13 to 693p and Yorkshire Electricity 12 to 744p.

BAA fell sharply for the second day running, as concern about the airport group's impending regulatory review deepened.

"There really is a void of knowledge at the moment. Even a small shift from the present landing fees formula of RPI minus 1 per cent could add up to around 5 per cent of BAA's total profit," said one analyst yesterday. Down 8 on Wednesday, the stock came off a further 15 to 463p.

However, the recent severe shakeout caused at least one broker to turn positive. Lehman Brothers moved its recommendation to "buy".

Shares in engineer FKI shot forward more than 11 per cent following a stronger than expected results statement plus a clear hint that the group was lining up an acquisition.

Some brokers suggested that the group could unveil a deal this month, and that it would be in the £75m to £100m range. "FKI could spend up to £300m with only a modest impact on gearing," said one analyst.

The upbeat results sparked broker upgrades. NatWest Securities pushed up by £13.5m to £108.5m. The shares closed 18 ahead at 179p to top the FT-SE Mid 250 performance charts in volume of 12m.

Catering company Compass Group rose 11 to 614p in trade of 1.3m. The rise was attributed to a squeeze, with the stock now edging closer to being listed in the premier FT-SE 100 index.

Recent favourable data for retailers continued to boost some of the leading issues in the sector. Marks and Spencer was among the day's strongest performers and the shares gained 8½ at 474½p. Volume was 6m. Kingfisher rose 6 to 627p, while Storehouse was also boosted by the sale of its casual wear chain Blazer to Moss Bros. The former firmed 7 to 325p and the latter surrendered 32 to 1163p.

British Gas closed 4 cheaper at 187½p ahead of the company's reply to the official regulator's pricing proposals.

Confirmation that Orange is to enter the Footsie led to a day of above average volume. The shares added 3 at 252½p in 16m traded. Rival mobile phones group Vodafone dipped 4 to 237½p.

Broker recommendations lifted Glaxo Wellcome again. The shares improved 8 to 865½p. They have bounced 100p over the past month but are still that amount off their peak, recorded at the beginning of February.

Daily Mail & General Trust shed 62 to 1478p after the newspaper group issued a profits warning with its results.

Yorkshire Tyne-Tees Television rose 17 to 1125p on renewed hopes of a takeover from Granada.

Blenheim, the exhibitions group, advanced 14 to 441p as optimism returned that United News & Media – newly installed in the Footsie – would launch a bid.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jun 13	Jun 12	Jun 11	Jun 10	Jun 7	Yr ago	*High	*Low
Ordinary Share	2781.5	2787.6	2779.4	2766.4	2752.2	2533.5	2885.2	2598.7
Ord. div. yield	3.99	3.98	4.00	4.01	4.03	4.21	4.06	3.76
P/E ratio net	16.19	16.22	16.16	16.06	16.01	15.90	17.25	15.95
P/E ratio nil	15.98	16.01	15.94	15.87	15.80	15.21	17.03	15.76

Ordinary Share Index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2785.1	2782.9	2781.4	2776.3	2776.0	2777.9	2783.5	2784.5	2781.7	2786.1	2774.5

	Jun 13	Jun 12	Jun 11	Jun 10	Jun 7	Yr ago
SEAQ bargains	30,292	29,804	29,575	31,086	32,397	21,720
Equity turnover (£m)†	–	1758.6	1361.8	1302.0	1671.4	1637.0
Equity bargains†	–	35,792	35,989	36,455	38,289	31,074
Shares traded (ml)†	–	628.0	461.1	468.2	607.7	686.4

†Excluding intra-market business and overseas turnover.

	Jun 13	Jun 12	Jun 11	Jun 10	Jun 7	Yr ago	*High	*Low
FT-SE AIM	1113.70	1108.90	1097.50	1101.70	1097.40	–	1140.40	966.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	584	Total Highs	105	Total contracts	42,307
Total Falls	550	Total Lows	26	Calls	22,800
Same	1,596			Puts	19,507

June 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3758.0	3757.0	−10.0	3765.0	3746.0	25529	38582
Sep	3758.0	3760.5	−10.0	3768.0	3750.0	15572	27915
Dec	3779.0	3784.0	−11.0	3779.0	3779.0	10	796

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4470.0	+3.0			0	668
Sep		4505.0	+3.0			0	3488

■ FT-SE 100 INDEX OPTION (LIFFE) (*3761) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
100	F.P.	73.5	106	97	Aberforth Smlr C
–	F.P.	3.70	65	45	Bioccompatibles W
90	F.P.	10.9	105	96	†Carisbrooke
–	F.P.	17,091	697½	627½	Elect Data Sys
–	F.P.	68.2	61	36	†Entech
–	F.P.	20.5	116	83	†Epic Multimedia
115	F.P.	49.5	165	130	European Telecom
100	F.P.	121.5	97	1½	Fidelity Asian V
–	F.P.	9.93	36	32	Fidelity Asn Wts
60	F.P.	3.15	65	63	†Fieldens
–	F.P.	1.36	65	50	†Hercules Prop
100	F.P.	7.74	116	112	†Hydro-Dynamic P
–	F.P.	28.8	101	80	INVESCO E & I C
–	F.P.	13.9	116	108	†Independent Engy
200	F.P.	44.7	300	263	Luminar
–	F.P.	34.7	209	188	†Mulberry Group
–	F.P.	106.2	500	462	PPL Therapeutics
–	F.P.	39.0	205	180	†Prism Rail
190	F.P.	2,075	229	205	Railtrack
70	F.P.	32.7	123	103	Recognition Sys
–	F.P.	34.5	99	86	Renaissance US G
70	F.P.	16.6	78	71	SEA Multimedia
–	F.P.	187.2	186	180	Schroder Venture
–	F.P.	–	37	20	Taiwan Inv Tst C
100	F.P.	102.8	103½	51	Templeton Emg C
–	F.P.	3.10	56	43	†Tom Hoskins
174	F.P.	19.6	178	178	Trusts Group
64	F.P.	3.84	96	91	†Whitecroft

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jun 12	% chg on day	Jun 11	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2089.49	−1.2	2128.85	1880.09	1.47	–	2370.73	1773.88
■ Regional Indices								
Africa (13)	2820.39	−0.5	2835.86	2509.76	2.88	38.27	2953.86	2272.74
Australasia (6)	2471.28	−3.2	2553.37	2128.17	2.88	26.86	2827.34	2098.81
North America (12)	1843.00	−1.3	1868.80	1580.80	0.74	85.54	2186.39	1488.84

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FT-SE Actuaries Share Indices — The UK Series

	Jun 13	Day's chge%	Jun 12	Jun 11	Jun 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3761.7	−0.2	3769.2	3756.7	3729.8	3370.4	4.03	2.14	14.45	86.46	1838.62
FT-SE Mid 250	4468.0	.....	4467.4	4462.3	4452.5	3662.1	3.36	1.75	21.13	93.38	1794.90
FT-SE Mid 250 ex Inv Trusts	4511.5	.....	4511.6	4507.0	4497.2	3671.1	3.47	1.80	19.99	97.91	1815.18
FT-SE-A 350	1901.7	−0.2	1904.6	1898.8	1887.3	1671.0	3.89	2.07	15.55	42.84	1590.00
FT-SE-A 350 Higher Yield	1829.2	−0.2	1833.1	1826.5	1817.6	1684.2	5.16	1.98	12.89	50.95	1278.76
FT-SE-A 350 Lower Yield	1981.4	−0.1	1983.5	1978.3	1964.4	1657.9	2.74	[illegible]	19.75	35.03	1372.97
FT-SE SmallCap	2240.27	.....	2241.07	2239.41	2242.92	1952.78	2.91	1.77	24.27	31.43	1838.06
FT-SE SmallCap ex Inv Trusts	2241.46	−0.1	2242.84	2241.67	2246.94	1831.48	3.07	1.86	21.94	33.21	1850.63
FT-SE-A ALL-SHARE	1887.80	−0.1	1890.50	1885.10	1874.87	1660.69	3.81	2.06	16.00	41.22	1602.78

■ FT-SE Actuaries All-Share

	Jun 13	Day's chge%	Jun 12	Jun 11	Jun 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3511.16	−0.5	3528.37	3508.68	3469.09	2859.42	3.81	1.89	17.88	79.03	1512.72
12 Extractive Industries(6)	4357.34	−0.2	4369.00	4358.98	4367.35	3792.45	3.68	2.52	18.49	109.19	1282.23
15 Oil, Integrated(3)	3562.16	−0.5	3581.59	3551.97	3508.12	2855.46	4.02	1.72	18.04	81.84	1574.10
16 Oil Exploration & Prod(15)	2490.12	−0.4	2490.45	2475.70	2451.07	2080.74	2.12	1.80	36.78	33.06	1492.60
20 GEN INDUSTRIALS(275)	2076.31	−0.2	2080.89	2080.42	2081.35	1949.49	4.11	1.90	18.02	40.59	1136.67
21 Building & Construction(34)	1197.56	−0.2	1200.66	1203.19	1204.01	966.01	3.44	1.79	20.28	20.76	1004.73
22 Building Matls & Merchs(28)	1912.58	+0.1	1910.02	1913.67	1914.91	1804.63	4.00	1.75	18.11	38.43	969.45
23 Chemicals(25)	2502.47	+0.2	2498.51	2508.24	2508.78	2374.15	3.88	1.96	18.02	55.67	1191.22
24 Diversified Industrials(19)	1642.89	−1.0	1660.07	1665.16	1667.22	1852.84	6.34	1.69	11.65	54.76	926.53
25 Electronic & Elect Equip(37)	2407.91	−0.6	2422.43	2436.21	2448.02	2068.39	3.07	1.67	24.35	15.10	1243.18
26 Engineering(71)	2468.77	+0.2	2462.91	2441.70	2432.75	1975.10	3.15	2.50	15.97	31.09	1495.78
27 Engineering, Vehicles(13)	3020.86	−0.8	3043.83	3046.03	3068.18	2301.86	3.53	1.96	18.10	53.22	1588.59
28 Paper, Pckg & Printing(26)	2659.23	+0.7	2640.36	2633.85	2618.02	2980.77	3.85	1.98	16.35	55.09	1112.79
29 Textiles & Apparel(19)	1405.42	−0.1	1406.50	1408.59	1410.14	1640.00	5.03	1.53	16.21	41.39	867.06
30 CONSUMER GOODS(90)	3567.94	.....	3569.39	3532.26	3508.84	3203.21	3.94	1.90	16.73	78.94	1324.31
32 Alcoholic Beverages(8)	2758.06	−0.2	2763.87	2756.74	2741.12	2762.17	4.54	[illegible]	17.04	71.72	1001.10
33 Food Producers(23)	2473.29	−0.1	2475.18	2465.23	2460.04	2517.59	4.20	1.97	15.11	59.28	1122.61
34 Household Goods(16)	2647.74	−0.9	2672.52	2674.73	2678.95	2656.25	3.75	2.42	13.80	55.76	1015.77
36 Health Care(20)	2113.91	+0.4	2104.67	2093.18	2091.98	1797.30	2.55	1.84	26.86	30.22	1288.45
37 Pharmaceuticals(12)	5161.91	+0.2	5150.15	5067.24	4998.31	4098.23	3.30	1.86	20.29	91.16	1756.86
38 Tobacco(1)	4349.80	−0.8	4383.68	4354.03	4349.80	4231.70	[illegible]	2.12	10.09	158.18	1092.84
40 SERVICES(269)	2566.96	+0.2	2561.90	2553.82	2536.62	2048.39	2.80	2.02	22.10	46.58	1341.02
41 Distributors(32)	2967.92	−0.1	2971.21	2972.60	2973.61	2592.44	2.88	1.76	24.68	38.94	1095.63
42 Leisure & Hotels(23)	3233.37	+0.7	3210.59	3182.77	3185.86	2364.53	2.78	1.93	23.54	142.15	1741.47
43 Media(46)	4229.61	+0.1	4224.64	4201.81	4171.92	3069.21	2.15	1.89	30.80	49.86	1533.08
44 Retailers, Food(15)	2091.02	−0.2	2096.19	2099.09	2082.60	2030.18	3.63	2.31	14.93	46.47	1341.77
45 Retailers, General(43)	2126.14	+0.6	2112.77	2113.45	2099.65	1663.42	2.94	2.16	19.66	38.01	1221.37
47 Breweries, Pubs & Rest.(24)	3247.16	+0.9	3217.76	3208.51	3196.95	2417.66	3.13	2.15	18.94	49.94	1585.29
48 Support Services(46)	2458.65	+0.4	2448.24	2444.00	2438.46	1629.50	1.88	2.41	27.64	31.45	1564.82
49 Transport(21)	2384.02	−1.4	2417.10	2410.82	2378.42	2258.15	3.75	1.47	22.75	42.47	896.56
60 UTILITIES(32)	2375.88	−0.5	2387.33	2387.89	2378.06	2434.84	5.54	2.02	11.18	69.83	1017.47
62 Electricity(11)	2586.53	−0.2	2591.39	2580.22	2587.12	2321.61	6.26	2.60	[illegible]	174.86	1292.62
64 Gas Distribution(2)	[illegible]	−2.0	1288.22	1288.71	1272.71	2041.43	9.49	1.36	9.72	88.67	662.19
66 Telecommunications(7)	2031.35	−0.5	2041.15	2049.12	2032.12	2124.66	[illegible]	1.79	16.44	12.56	925.15
68 Water(12)	2169.01	.....	2169.14	2171.06	2167.06	1935.31	6.13	2.34	8.71	42.24	1197.25
69 NON-FINANCIALS(664)	2014.69	−0.1	2017.07	2009.21	1998.80	1776.64	3.61	1.94	16.91	42.92	1634.61
70 FINANCIALS(106)	2878.74	−0.3	2887.67	2893.32	2871.94	2414.51	4.15	2.66	11.37	76.81	1248.46
71 Banks, Retail	3940.71	−0.5	3961.77	3978.66	3934.69	3237.35	3.95	[illegible]	10.94	110.04	1297.75
72 Banks, Merchant(6)	3642.69	−0.5	3659.39	3669.17	3652.00	3318.81	2.71	2.37	19.41	38.38	1153.94
73 Insurance(23)	1498.08	−0.6	1498.03	1499.19	1490.14	1321.66	5.31	3.33	7.07	47.91	1128.84
74 Life Assurance(6)	3417.58	+0.8	3391.49	3379.25	3370.75	2696.05	4.37	2.24	12.77	100.72	1432.80
77 Other Financial(21)	2866.35	+0.4	2856.91	2860.00	2871.99	2039.06	3.90	1.71	18.71	56.57	1526.99
79 Property(41)	1528.64	−0.1	1530.42	1524.87	1522.59	1473.66	4.16	1.29	23.50	29.84	945.53
80 INVESTMENT TRUSTS(125)	3180.61	+0.1	3178.14	3171.06	3165.76	2790.39	2.22	1.05	52.28	34.15	1112.64
89 FT-SE-A ALL-SHARE(894)	1887.80	−0.1	1890.50	1885.10	1874.67	1650.69	3.81	2.06	16.00	41.22	1602.78
FT-SE-A Fledgling	1274.69	.....	1276.27	1276.21	1276.42	1011.82	2.71	2.18	21.21	15.07	1333.67
FT-SE-A Fledgling ex Inv Trusts	1290.84	−0.1	1291.80	1292.15	1294.12	1005.49	2.90	2.36	18.29	16.16	1360.73

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3763.2	3763.5	3762.8	3756.4	3754.3	3758.7	3763.7	3764.7	3761.6	3768.2	3753.7
FT-SE Mid 250	4467.9	4468.1	4470.3	4469.0	[illegible]	4468.7	4469.1	[illegible]	4468.4	4470.8	4467.8
FT-SE-A 350	1902.5	1902.5	1902.4	[illegible]	1899.9	1899.8	1902.8	1903.0	1901.7	1903.7	1899.7

Time of FT-SE 100 Day's high: 9:08 AM Day's low: 10:28 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3954.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1173.1	1174.6	1174.6	1173.9	1173.4	1173.8	1173.3	1172.3	1172.9	1172.9	1175.5	−2.6
Pharmaceuticals	5085.2	5076.7	5080.5	5081.0	5075.0	5077.6	5088.8	5093.2	5088.8	5089.2	5078.1	+11.1
Water	2154.4	2154.4	2155.2	2153.2	2150.1	2149.7	2152.2	2154.5	2156.2	2156.4	2156.7	−0.3
Banks, Retail	4000.5	3999.2	3998.1	3983.0	3978.4	3978.6	3989.0	3989.5	3985.2	3991.0	4012.3	−21.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All Indices are rounded. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 13 / Sch)

BELGIUM/LUXEMBOURG (Jun 13 / Frs.)

CZECH REP (Jun 13 / Korona)

DENMARK (Jun 13 / Kr)

FINLAND (Jun 13 / Mka)

FRANCE (Jun 13 / Frs.)

GERMANY (Jun 13 / Drs.)

GREECE (Jun 13 / Drachma)

ITALY (Jun 13 / Lira)

NETHERLANDS (Jun 13 / Fls.)

NORWAY (Jun 13 / Kroner)

POLAND (Jun 13 / Zloty)

PORTUGAL (Jun 12 / Escudo)

SPAIN (Jun 13 / Pts.)

SWEDEN (Jun 13 / Kronor)

		+/-	High	Low	Yld	P/E
AGA A	116	...	118	89	2.3	...
AGA B	115	+1	116	89.50	2.3	...
Abb A	692	+1	720	646	2.3	...
Abb B	684	-3	715	633	2.3	...

SWITZERLAND (Jun 13 / Frs.)

TURKEY (Jun 13 / Tk Lira)

PACIFIC

JAPAN (Jun 13 / Yen)

AUSTRALIA (Jun 13 / Aus$)

HONG KONG (Jun 13 / H.K.$)

INDONESIA (Jun 13 / Rupiah)

MALAYSIA (Jun 13 / MYR)

NEW ZEALAND (Jun 13 / NZ $)

SINGAPORE (Jun 13 / S$)

SOUTH KOREA (Jun 13 / Won)

TAIWAN (Jun 13 / TW $)

THAILAND (Jun 13 / Baht)

AFRICA

SOUTH AFRICA (Jun 13 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jun 13 / Can $) 4 pm close

MONTREAL (Jun 13 / Can $) 4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. # Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all. † Priced in US $.

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INDICES

	Jun 13	Jun 12	Jun 11	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	17719.71	17823.04	18881.55	20/5	15520.81	18/3
Australia							
All Ordinaries(1/1/80)	2200.6	2212.1	2221.7	2328.00	26/4	2187.40	11/3
All Mining(1/1/80)	1019.1	1032.7	1048.2	1118.40	8/5	1004.70	16/1
Austria							
Credit Aktien(30/12/84)	385.96	385.91	386.66	394.80	31/5	352.78	2/1
Traded Index(2/1/91)	1120.83	1123.50	1118.06	1142.81	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1761.57	1761.95	1763.95	1773.38	28/5	1574.80	2/1
Brazil							
Bovespa(29/12/83)	(u)	55325.0	54134.0	57108.00	28/5	43801.00	2/1
Canada							
Metals Mnls(1975)	(u)	5192.08†	5187.55	5624.60	8/5	4687.47	16/1
Composite(1975)	(u)	5094.57†	5106.30	5238.98	22/5	4738.78	15/1
Portfolio(4/1/83)	(u)	2484.19	2486.80	2565.55	27/5	2327.38	12/1
Chile							
IGPA Gen(31/12/80)	(u)	5430.41	5368.53	5594.38	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	403.52	403.72	403.00	407.07	28/5	368.40	2/1
Finland							
HEX General(28/12/90)	2031.13	2012.39	2021.16	2070.42	31/5	1851.87	10/1
France							
SBF 250(31/12/90)	1449.86	1456.47	1455.44	1457.58	6/6	1250.18	2/1
CAC 40(31/12/87)	2126.20	2137.29	2137.50	2146.79	30/4	1887.85	11/1
Germany							
FAZ Aktien(31/12/58)	904.12	902.93	898.76	904.83	23/5	818.58	2/1
Commerzbank(1/12/53)	2606.70	2601.70	2588.40	2609.70	13/6	2370.20	2/1
DAX(30/12/87)	2567.47	2568.88	2548.35	2578.78	21/5	2284.86	2/1
Greece							
Athens SE(31/12/80)	917.57	918.94	931.23	1017.88	4/3	801.03	29/4
Hong Kong							
Hang Seng(31/7/64)	10866.02	10858.67	10893.55	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3965.44	3938.20	3914.28	3985.44	13/6	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	581.52	596.08	608.61	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2588.44	2583.41	2572.82	2588.44	13/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	657.16	658.55	654.64	674.38	20/5	572.21	23/3
MIB General(2/1/96)	1114.0	1116.0	1110.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	22082.40	22104.80	21817.62	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	312.87	312.87	309.85	318.08	26/4	284.48	11/3
Topix(4/1/68)	1684.85	1684.63	1666.63	1718.00	26/4	1534.12	13/3
2nd Section(4/1/68)	2204.89	2198.23†	2178.11	2248.28	2/5	1982.78	14/5
Malaysia							
KLSE Comp.(4/4/86)	1121.62	1123.48	1121.92	1180.54	30/4	982.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3218.30	3227.32	3352.86	22/5	2776.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	644.5	652.8	652.0	662.80	12/6	559.50	2/1
CBS All Shr(End 83)	382.3	387.1	386.7	387.10	12/6	338.70	2/1
New Zealand							
Cap. 40(1/7/86)	2028.53	2037.70	2036.38	2283.08	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1482.77	1486.71	1453.52	1486.71	12/6	1259.98	30/1
Philippines							
Manila Comp(2/1/85)	3208.47	(c)	3249.17	3286.70	10/6	2578.97	2/1
Portugal							
BVL 30(4/1/93)	(c)	1868.88	1864.80	1880.88	12/6	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	575.80	582.32	586.17	610.37	5/2	553.89	2/1
South Africa							
JSE Gold(28/9/78)	1832.0♥	1836.5	1850.9	2030.40	29/5	1348.40	2/1
JSE Ind.(28/9/78)	8112.6♥	8076.1	8012.7	8739.30	25/1	7773.20	20/5
South Korea							
KoreaCompEx(4/1/80)	874.68	873.31†	888.86	986.84	7/5	838.87	13/3
Spain							
Madrid SE(30/12/85)	371.60	372.37	370.00	372.37	12/6	323.75	11/1
Sweden							
AffarsvarldenGen(1/2/37)	1985.9	1982.4	2014.1	2018.00	6/6	1706.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1731.37	1729.20	1725.66	1770.54	25/4	1518.19	17/1
SBC General(1/4/87)	1230.43	1228.58	1223.30	1259.88	29/4	1114.47	26/1
Taiwan							
Weighted Pr(30/6/66)	6376.10	6301.82	6125.79	6376.10	13/6	4690.22	8/2
Thailand							
Bangkok SET(30/4/75)	1247.05	1243.77	1259.75	1415.04	6/2	1243.77	12/6
Turkey							
Istanbul Cmp.(Jan 1986)	68562.1	69027.6	67437.2	72000.80	5/4	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	773.2*	774.9	773.4	780.30	23/5	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1697.65	1695.47	1689.08	1698.17	28/5	1504.40	11/1
Euro Top-100(26/6/90)	1445.11	1451.05†	1449.62	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	373.60	373.87	383.16	16/4	344.19	2/1
MG Brngs Emrg(7/1/92)	(u)	160.19	160.02	164.14	14/5	147.35	2/1

US INDICES

Dow Jones	Jun 12	Jun 11	Jun 10	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5668.29	5660.65	5687.87	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.24	101.22	101.25	106.06 (14/2)	101.19 (8/5)	108.77 (10/10/93)	54.99 (1/10/81)
Transport	2223.66	2229.42	2231.70	2296.39 (22/5)	1882.71 (18/1)	2296.39 (22/5/96)	12.32 (8/7/32)
Utilities	206.68	208.08	208.80	234.89 (12/2)	205.42 (7/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5725.55 (5747.71) Low 5637.83 (5657.83) (Theoretical‡)
Day's high 5704.05 (5726.60) Low 5662.81 (5657.56) (Actual‡)

Standard and Poors	Jun 12	Jun 11	Jun 10	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	669.04	670.97	672.16	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials‡	799.31	800.94	802.47	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	66.63	67.08	67.04	68.56 (5/3)	59.87 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	359.08	359.55	360.17	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	597.55	597.57	598.48	614.89 (22/5)	525.05 (18/1)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1235.47	1230.73	1238.04	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Jun 7	May 31	May 24	Year ago
Dow Jones Ind. Div. Yield	2.18	2.18	2.15	2.50
	Jun 12	June 5	May 29	Year ago
S & P Ind. Div. yield	1.87	1.83	1.88	2.20
S & P Ind. P/E ratio	19.65	22.74	22.38	17.85

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Kmart	21,235,800	13⅛	+⅝
Bay Network	5,865,800	28¾	+1⅜
Seagate Tech	5,696,700	48⅝	-1⅝
Vodafone	4,250,700	37	-⅛
Philip Morris	3,521,700	103⅞	+1⅛
LSI Logic	3,795,100	28¾	+⅞
Micron	3,781,000	30¼	+⅛
Loral Space	3,480,000	15⅝	+⅜
Pacific Gas B	3,465,300	2⅝	-⅛
Noram Engy	2,598,100	10	—

TRADING ACTIVITY

● Volume (million)

	Jun 12	Jun 11	Jun 10
New York SE	380.881	401.051	337.429
Amex	21.922	21.213	21.302
NASDAQ	571.402	588.197	487.844
NYSE			
Issues Traded	3,139	3,181	3,140
Rises	1,086	1,132	1,093
Falls	1,210	1,183	1,253
Unchanged	843	838	794
New Highs	92	90	75
New Lows	86	79	38

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
CAC-40 (200 x Index)							
Jun	2117.0	2112.0	-14.0	2125.0	2108.0	11,422	51,280
Jul	2115.5	2111.0	-13.5	2121.0	2110.0	350	17,575
DAX							
Jun	2563.0	2566.5	-4.5	2580.0	2590.5	21,306	-
Sep	2582.3	2586.0	-6.0	2600.0	2578.5	2,446	-
OMX							
Jun	1561.00	1553.50	-6.50	1554.50	1543.00	4,225	16,530
Jul	1555.50	1560.00	-10.50	1560.25	1555.00	543	1,436
SOFFEX							
Jun	3586.0	3595.3	-2.7	3604.9	3584.5	6,157	21,093
Jul	3594.0	3588.0	-1.0	3602.9	3587.0	2,945	13,942

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	669.40	670.25	-1.20	671.30	670.25	78,573	121,856
Sep	676.00	677.30	-0.10	677.30	675.70	17,816	79,739

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Jun	22080.0	22080.0	-40.0	22200.0	22080.0	11,680	212,794
Sep	22160.0	22150.0	-30.0	22280.0	22150.0	31,402	188,462

Open interest figures for previous day.

Sat Jun 8: Taiwan Weighted Price 6109.22; Korea Comp Ex 883.32. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp. Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ● Toronto. (c) Closed. (u) Unavailable. ‡ IBIS-DAX after-hours index: Jun 13 – 2566.13 –3.77. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ● The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. The figures in brackets are previous day's. ♥ Subject to official recalculation.

TOKYO – MOST ACTIVE STOCKS: Thursday, June 13, 1996

	Stocks Traded	Closing Prices	Change on day
Kanematsu Corp	22.0m	800	+12
Fuji Hvy Inds	15.2m	551	+9
Clarion	9.3m	800	-10
Matsushita E Ind	4.3m	1940	+20
Nomura Secs	4.3m	2170	+30
Nagasakiya	4.2m	910	+11
Toshiba Corp	3.8m	775	-3
NKK Corp	3.7m	316	-1
Mitsubishi Hvy	3.6m	938	
Mazda Motor	3.5m	539	+9

4 pm close June 13

NEW YORK STOCK EXCHANGE PRICES

1996 High	1996 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
23¾	19⅛	AAR	0.48	2.3	22	230	20⅞	20¾	20¾	-⅛
46⅛	35⅜	AMP	1.00	2.5	20	5314	40⅝	40	40¼	+⅛
97½	68	AMR			23	2852	95	93	94	-1
50½	37⅜	ASA	1.80	4.4	27	719	41½	40¾	41⅛	+¼
44¾	38⅛	AbbtL	0.96	2.2	19	6859	43⅜	42¾	43⅛	+⅜
17⅛	13¼	Abitibi Pr x	0.40	3.0	6	197	13⅞	13⅝	13⅞	-⅛
38⅛	27	ABM Ind	0.70	1.8	19	109	38	37⅛	37¾	+⅝
17⅞	13⅞	Acptocain			46	7	u17⅞	17⅝	17⅞	
50⅞	37¾	ACE Ltd	0.56	1.3	10	717	44⅞	44⅝	44⅞	-⅛
9⅞	9⅛	ACM Gvt In x	0.90	9.2	8	204	9¾	9⅝	9¾	+⅛
7⅞	6⅝	ACM GvOpp x	0.57	8.4		90	6⅞	6¾	6¾	
7⅛	6⅛	ACM Gvt Sp x	0.66	10.8		602	6¼	d6⅛	6¼	
9⅛	8¼	ACM Gvt Se x	0.90	10.6		92	8½	8⅜	8½	
9½	8¾	ACM Man x	0.90	10.1		277	8⅞	d8¾	8⅞	+⅛
30¾	16½	AcmeClv	0.52	1.7	7	748	29⅞	29⅞	29⅞	+⅛
13⅞	6⅛	Active Electr			58	403	10⅞	10⅛	10⅛	-⅛
32½	27¾	Acordia x	0.80	2.5	19	6	31½	31½	31½	+⅛
21⅞	12	Acuson			79	770	17⅝	17¼	17½	+¼
19½	18⅜	Adams Expr	1.66	8.6	0	118	19⅜	19¼	19¼	
21¼	16⅛	AdvMic			7	3211	17	16¾	16¾	-⅛
11⅞	8½	Advest Grp	0.16	1.5	7	133	10¾	10⅝	10⅝	-⅛
28⅛	9⅛	Advo Inc	0.10	1.0	56	804	10⅝	10⅜	10½	
50⅜	41⅛	Aegon	1.19	2.5	14	48	47⅜	46¾	47⅜	-½
6¾	3½	Aerflx			4	643	6⅝	6½	6⅝	
76¾	66⅜	AetnaL	2.76	3.8	19	7303	73⅜	72½	72¾	+⅛
33	28¾	Aflac	0.40	1.4	12	2861	30¼	29¼	29⅝	-⅜
20⅛	17⅛	AGL Res	1.06	6.2	15	481	17¼	d17⅛	17⅛	-⅛
27⅞	21¼	Ahmnsn	0.88	3.3	7	3135	26¾	26½	26⅝	
60⅞	50⅜	AirPrC	1.10	1.9	15	1622	58¼	57½	58	-⅛
28⅜	23½	Airbne Frt	0.30	1.2	24	662	26⅛	25⅞	26	
22½	15½	Airgas Inc			33	343	20⅜	19⅞	20	-⅜

Continued on next page

4 pm close June 13

NYSE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close June 13

[illegible]

AMEX PRICES

4 pm close June 13

[illegible]

AMERICA

Quantum warning hits tech shares

Wall Street

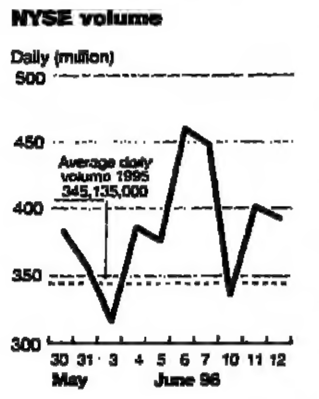
Technology shares slid in early trading yesterday, and the weakness spread to blue chips amid more fears of weakening demand for personal computers, *writes Lisa Bransten in New York.*

In early afternoon trading, the Nasdaq composite, which has about a 40 per cent technology shares content, was off 10.50 at 1,224.97 and the Pacific Stock Exchange technology index 1 per cent lower.

Losses in the technology sector helped lead other shares lower in spite of modest gains on the bond market.

The Dow Jones Industrial Average initially jumped nearly 15 points before surrendering the gain and falling into negative territory. At 1 pm, the blue chip index was off 7.75 at 5,660.54. The Standard & Poor's 500 shed 1.21 to 667.53 and the American Stock Exchange composite lost 2.16 at 595.37. Volume on the NYSE was 220m shares.

NYSE volume



The declines were sparked by the announcement late on Wednesday from Quantum, a leading maker of computer disc drives, that earnings would fall short of analysts' expectations because of weak demand for personal computers. Quantum shares dropped \$2⅝ or 15 per cent to \$15⅝.

Shares of personal computer makers were also lower. Dell Computer lost \$1$\frac{5}{16}$ at \$52$\frac{1}{16}$. Gateway 2000 shed \$1½ at \$38⅛. Hewlett-Packard was \$1½ weaker at \$101¼ and IBM, which is a component of the Dow, lost \$⅝ at \$102⅞.

The Dow got some support from a jump in Philip Morris. Shares in the tobacco and food company rose \$1¼ to \$105 after Mr Geoffrey Bible, the company's chief executive, predicted very strong international growth at a meeting of portfolio managers.

Mesa, the US oil and gas company, rose \$⅝ or 17 per cent to \$4¼ after Mr T. Boone Pickens, the company's chairman and chief executive, said that he would step down. Mr Pickens successfully warded off an effort by shareholders to sell off parts of the company to pay off debt.

Tambrands fell \$2¾ or 6 per cent to \$42¼ after warning late on Wednesday that competition in the US tampon market would cause second-quarter earnings to trail behind last year's level.

Canada

Toronto gave up an early advance at midsession as a stronger showing by golds was overwhelmed by the negative effect of weak bonds. The TSE-300 composite index was 26.67 down by noon at 5,067.90 in volume of 37.7m shares.

Among individual stocks, Hummingbird Communications tumbled C\$6.20 to C\$40.80 after the broker Levesque Beaubien Geoffrion put a sell recommendation on the stock because of a price war in the company's main product line software which allows users to share graphics files.

Xillix Technologies jumped 24 cents to C\$4.80 on news that it expected final approval from the US Food and Drug Administration to distribute in the US a medical imaging system aimed at detecting cancer.

Arequipa Resources fell C\$1.45 to C\$17.25 in spite of rising bullion prices.

Mexico slides 1.2%

Mexico City was weak at midsession, taking its lead from Wall Street's performance and hurt further by selling pressure on the peso.

The IPC index retreated 38.17, through support at 3,200, to stand at 3,178.13, prompting brokers to warn that the way was now open for a fall in the index to 3,100.

Interest rate worries weighed on the financial group Banamex, whose B shares fell 3.6 per cent, and on Cemex, which lost 2.9 per cent.

CARACAS was flat at midsession as local and foreign investors continued to look for opportunities elsewhere. The IBC index edged up 3.13 points to 4,239.84.

BUENOS AIRES continued the week's slide at midsession as the Merval index gave up 0.64 to 579.72.

S Africa investors turn cautious

Johannesburg finished firm but in increasingly cautious trade ahead of a government announcement today on macroeconomic policy. Industrials ended off their best levels after some early futures related trade tapered off at noon, while gold shares were softer on a dull bullion price and the stronger rand.

The overall index was up 19.8 to 6,840.1, industrials gained 36.5 at 8,112.6 and golds eased 4.5 to 1,832.

Among notable advancing issues, Anglovaal, the industrial and mining conglomerate, climbed R6.50 or 4.1 per cent to R165. However, dealers were at a loss to explain the sudden rise of the closely held stock, which started the week at R151. Standard Bank moved forward R1.50 to R173.50 and Nampak, the packaging group, finished 35 cents firmer at R19.

Gold issues were mixed, with Elandsrand Gold Mining retreating R1 to R25.50 and Western Areas Gold Mining appreciating R1.50 to R69.50. De Beers recovered from weakness earlier in the week to post a gain of R2 at R136.50.

EUROPE

Broker sees 'overblown reactions' in Frankfurt

Mild weakness in bunds and a lower Dow offset what one broker described as an "overblown reaction" to news from the German chemicals and retailing sectors. FRANKFURT hit a new intra-day all-time high and then retreated.

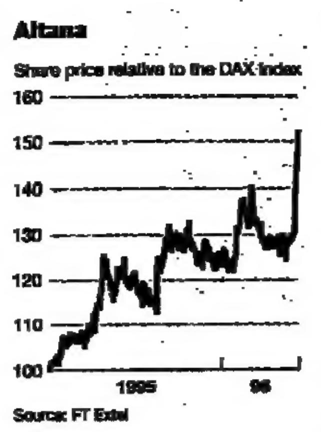
The Dax index closed 3.77 lower at an Ibis-indicated 2,566.18. The Bundesbank's decision to leave key interest rates unchanged had no effect on prices. What did was talk that Bayer might spin off its drugs business, which left it DM1.86 higher at DM53.30, Hoechst following with a gain of 90 pfgs at DM52.24.

Stock market turnover climbed from DM8.1bn to DM10.2bn, with DM1.39bn of that in Bayer alone.

BZW, in Frankfurt, said that only a hive-off into a separately quoted drugs company could justify a reaction like this; and that Bayer, far from contemplating a fashionable bout of financial engineering, had always been committed to the expansion of its pharmaceuticals business within the existing group structure.

Other movers included Altana, a DM94 gain to DM1,150 taking it to a two-day rise of some 17 per cent on withdrawal of the Swedish market leader Astra from an alleged ulcer drug patent dispute.

Altana



Source: FT Extel

Karstadt, the stores group, rose DM23.15 to DM619 on a forecast of higher sales and earnings this year; but MAN, in trucks and engineering, fell DM8.30 to DM398.20 after the chairman of Mercedez-Benz talked about the uncertain situation for commercial vehicles in the second half of this year.

PARIS saw a contrast at the troubled end of the financial sector as the CAC-40 index shed 6.59 to 2,126.20, in turnover of FFr4.42bn.

Crédit Foncier, the property lender, came back from suspension to close FFr4.90, or 14.6 per cent, higher at FFr38.40 on a report that the government was studying a buyout of minority shareholders. But Crédit Lyonnais certificates ran high in the losers' list, falling FFr12.90, or 10 per cent, to FFr116.30 on the view that the restructuring of the state-controlled bank would be tougher than expected.

Two electricals groups also moved different ways. Schneider shed FFr9.90 to FFr244.10 after Mr Didier Pineau-Valencienne, its chairman, told shareholders that recent stake-building had come from institutional investors; in addition, the outlook for the second half of this year was less certain after higher profits in the first six months. However, Legrand put on FFr36 at FFr945 after a buy recommendation from Merrill Lynch.

ZURICH rebounded from early weakness on renewed demand for banks which took in switches, and broadly based buying. The SMI index finished 6.5 higher at 3,607.4.

UBS picked up SFr19 to SFr1,197, SBC advanced SFr2 to SFr243.50 and CS Holding was steady at SFr111.75, with one small bank said to be a buyer of all three. Insurers, however, gave up part of their recent gains, with Swiss Re down SFr12 to SFr1,232.

Pharmaceuticals were mostly higher, Roche certificates overcoming recent weakness to add SFr50 at SFr9,380.

FT-SE Actuaries Share Indices

Jun 13							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1690.77	1690.32	1690.86	1691.22	1690.95	1691.69	1692.27	1691.65
FT-SE Eurotrack 200	1732.40	1729.49	1730.29	1729.76	1728.72	1731.35	1731.96	1731.23

	Jun 12	Jun 11	Jun 10	Jun 7	Jun 6
FT-SE Eurotrack 100	1694.47	1688.89	1686.82	1679.84	1687.65
FT-SE Eurotrack 200	1733.86	1726.73	1724.40	1719.47	1732.51

Base value 1000 (26/10/90); Highday: 100 - 1693.61; 200 - 1733.61 Lowday: 100 - 1689.76 200 - 1728.81. † Partial.

Interdiscount, the electronics retailer which said on Monday that it could not rule out receivership, was steady at SFr5.50 after its sharp losses earlier in the week, and Porst, majority owned by Interdiscount, picked up SFr29 to SFr130. During the day, Spector, of Belgium, said that it was ready to buy two businesses in which Interdiscount and Porst held a stake.

Alusuisse, up SFr13 at SFr1,013, benefited from strong volumes and positive sentiment after Wednesday's acquisition of Celltech's Biologics unit.

Esec, the semiconductor industry supplier, jumped SFr130 to SFr5,730 after indicating strong earnings prospects. However, Biber, the troubled paper producer, lost SFr2.50 at SFr9.75.

AMSTERDAM saw a late drop, with the AEX index closing down 8.01, or 1.4 per cent, at 561.57, undermined by weak bonds and financials, and by some profit-taking.

Tulip Computers slid Fl 2.40, or 12.4 per cent, to Fl 16.90 after it said that weak selling prices would take it into a first-half loss. Ahold, the big retailer, fell Fl 3.30 to Fl 90.60, although it reported a 16 per cent rise in first-quarter net.

STOCKHOLM saw Astra A down another SKr5 at SKr291 on its patents dispute withdrawal, and the Affärsvärlden General index fell 6.5 to 1,985.9.

HELSINKI, on the other hand, had Nokia A FM3.50 higher at FM189 after an overnight rise in its ADRs on Wall Street, and a string of other gains, as the Hex index rose 18.73 to 2,031.13.

WARSAW eased for a second consecutive day after the 11.9 per cent surge over the preceding seven sessions, with investors apparently reluctant to commit themselves to further purchases ahead of Sunday's Russian presidential election. The Wig index fell 58.5 to 13,024.0, as the market also waited for Monday's inflation figure for May, which was expected to be no worse than 1.5 per cent.

Stalexport, the steel trader, leapt 4.60 zlotys, or 9.9 per cent, to 51 zlotys, extending Wednesday's gain, on expectations of a possible 70m zlotys tax refund and on a Daiwa Europe buy recommendation.

PRAGUE clawed back more lost ground, prompting analysts to forecast that the PX50 index would soon reach the levels seen before the elections at the beginning of this month, which deprived the centre-right coalition government of its majority.

The PX50 rose 6.2 to 552.7, just below the final pre-election session when it hit 553.5.

CEZ, the power utility, which rose Kcs40 to Kcs1,205, and Komercni Banka, up Kcs20 to Kcs2,190, provided much of the upward pressure. Analysts noted that Komercni Banka, which had been one of the market's top performers since the beginning of the year, lost heavily after the elections.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Region volatile, Singapore drops to five-month low

An early sell order for blue chips by a US broker and the expected reduction of weighting of Singapore and Malaysian shares in the Morgan Stanley Capital Index took SINGAPORE to a five-month low. The Straits Times Industrial index lost 12.29 to 2,276.95.

The trading group Amcol, subject of a takeover battle between two large investors, picked up 4 cents to S\$3.88 in active volume of 13.1m shares.

Singapore Telecom, which announced full-year results on Wednesday that were in line with expectations, fell 14 cents to S\$3.76 on profit-taking.

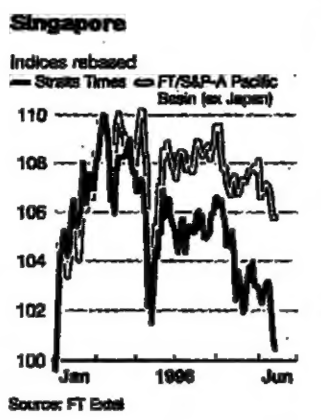
Stic, the industrial conglomerate, dipped 8 cents to S\$3.72 as DBS Investment Research downgraded the stock.

TAIPEI hit a 14-month high for the third consecutive session on hopes that the Taiwan market's inclusion in the MSCI emerging markets index would attract foreign funds. The weighted index finished 74.28, or 1.2 per cent, higher at 6,376.10 in heavy turnover of T\$90.8bn.

Local media unveiled what they said was a new list of 78 "Morgan Stanley-concept" stocks, revised from an old 75-name list, sparking another wave of buying.

Among stocks on the list, Taiwan Semiconductor rose T\$3.50, or 6 per cent, to T\$61.50 and Mosel T\$1.60, or 4.1 per cent, to T\$40.60.

Singapore



Source: FT Extel

Tokyo

Profit-taking by domestic institutions offset buying of blue chip issues by overseas investors and the Nikkei average lost marginal ground, *writes Emiko Terazono in Tokyo.*

The 225 index rose 22.40 to 22,082.40 after moving between 22,042.40 and 22,305.29, the profit-taking prompted by its rise above the 22,000 level.

Volume totalled 430m shares, against 441m. Activity remained subdued ahead of the settlement of the June futures contracts, but some foreign and domestic institutions, along with individual investors, started to place buying orders.

The Topix index of all first section stocks rose 0.22 to 1,684.85 and the Nikkei 300 closed unchanged at 312.87. Gainers led losers by 573 to 453, with 183 issues unchanged.

In London the ISE/Nikkei 50 index put on 3.36 at 1,492.79.

Hopes that low Japanese interest rates would hold the yen down supported export oriented blue chips. Matsushita Electric Industrial, the consumer electronics concern, was traded actively, adding Y20 at Y1,940. Hitachi rose Y10 to Y1,050 and TDK Y40 to Y6,540.

Carmakers were stronger, Toyota Motor gaining Y40 at Y2,580. Overseas investors bought pharmaceuticals stocks. Sankyo rose Y50 to Y2,720 and Takeda Chemical Y30 to Y1,920.

Speculative favourites rallied. Kanematsu, the trading house and the most active issue of the day, put on Y12 at Y800 and Nagasakiya, the supermarket chain, closed Y11 higher at Y910.

Daimaru, a high street retailer, fell Y22 to Y736 on admission of its gangster links and reports that its subsidiary had extended loans worth Y700m to a gangster affiliate. Takashimaya, the department store which was sold earlier this week on similar revelations, rose Y10 to Y1,650.

The yen's weakness depressed utilities, which are large importers of fuel and whose earnings have been supported by the yen's previous strength. Tokyo Electric Power shed Y30 to Y2,750 and Osaka Gas Y14 to Y390.

In Osaka, the OSE average moved up 94.37 to 23,323.00 in volume of 38.3m shares.

Roundup

Hard currency B shares rocketed 10.9 per cent in SHENZHEN after the Guangdong government said it planned perks for the province's top 70 companies, and as more rumours circulated that Beijing planned to loosen credit controls. The index rose 8.00 to 81.47, while A shares picked up 3.5 per cent on suggestions that the central bank might be about to lower lending rates.

BOMBAY raced up to a 19-month intra-day high as continued foreign institutional demand overwhelmed sales by domestic mutual funds. The BSE-30 index finished 23.10 higher at 3,962.30, off the day's best level of 3,978.28, as the market put behind it the confidence vote on the new coalition government and began to focus on its budget proposals, which are due in the second half of July.

Analysts said that Indian stocks were sought by foreign investors on the view that they were among the cheapest in emerging markets which offered good prospects for appreciation.

JAKARTA extended its correction on active foreign-led selling of large-capitalisation stocks. The JKSE composite index receded 14.57, or 2.4 per cent, to 581.53.

Talk that foreign investors have shifted their investment to other markets in Asia led to the big-cap pressure, said one broker; another said, once again, that imminent IPOs may also have prompted investors to sell their shares.

MANILA told a similar story, saying that selling to subscribe for the Empire East Holdings share offer, due to close on Monday, had combined with fears of a rise in US interest rates to leave the composite index 39.7, or 1.2 per cent, lower at 3,209.47.

HONG KONG's Hang Seng index finished 92.65 weaker at 10,866.02 on interest rate worries. Hongkong Telecom lost 40 cents to a six-month low of HK\$13.20 on further worries over Citic Pacific's stake sale and competition.

Sun Hung Kai & Co jumped 35 cents, or 12 per cent, to HK\$3.25 on speculation that a rival bid for the broker could be launched as early as today. New World Development slid 80 cents to HK\$35.20 on reports that it planned to sell its flagship hotel, the New World Harbourview.

SEOUL staged a technical rebound after five consecutive days of decline, the composite index gaining 1.37 to 874.68.

Investment trusts rose after the central bank governor reiterated the government's plans to allow them to convert to merchant banks next month.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 12 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 11 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (79)	200.77	-0.5	193.98	138.93	160.35	168.71	-0.4	4.37	201.79	194.85	139.63	161.17	169.39	212.18	162.68	163.51
Austria (25)	192.86	0.2	186.34	133.46	154.04	153.97	0.2	1.82	192.48	185.86	133.18	153.73	153.67	199.28	169.11	169.61
Belgium (27)	210.90	0.2	203.77	145.95	168.45	164.39	0.2	4.05	210.57	203.33	145.70	168.18	164.10	215.81	168.05	190.78
Brazil (28)	165.13	1.5	159.54	114.27	131.89	304.22	1.7	2.18	162.65	157.06	112.54	129.91	299.21	171.06	123.97	132.97
Canada (99)	160.73	-0.6	155.30	111.23	128.38	159.08	-0.4	2.39	161.69	156.13	111.88	129.15	159.78	165.12	134.14	140.68
Denmark (30)	296.54	0.5	286.51	205.21	236.84	238.98	0.5	1.89	295.04	284.89	204.15	235.66	237.90	305.17	275.85	278.76
Finland (23)	193.64	-0.2	187.09	134.00	154.66	190.68	-0.2	2.62	193.97	187.30	134.22	154.93	191.14	276.11	171.73	219.01
France (97)	196.11	-0.1	189.48	135.71	156.63	160.22	0.0	2.99	196.31	189.56	135.83	156.79	160.25	198.39	167.70	182.50
Germany (60)	169.74	0.9	164.01	117.46	135.56	135.56	0.9	1.63	168.28	162.49	116.44	134.40	134.40	174.38	155.66	157.07
Hong Kong (59)	427.23	-0.3	412.79	295.64	341.23	424.63	-0.3	3.36	428.70	413.96	296.64	342.40	425.99	451.19	348.81	367.64
Ireland (16)	287.03	0.6	277.33	198.63	229.25	256.74	0.6	3.34	285.37	275.56	197.46	227.92	255.13	287.03	228.88	229.25
Italy (59)	81.11	0.2	78.37	56.13	64.78	93.88	0.3	2.34	80.92	78.14	55.99	64.63	93.62	84.53	67.22	72.24
Japan (481)	154.54	1.0	149.32	106.95	123.44	106.95	1.0	0.72	152.98	147.71	105.85	122.18	105.85	164.68	137.75	145.09
Malaysia (107)	552.80	0.5	534.11	382.54	441.52	530.55	0.2	1.70	550.23	531.30	380.73	439.47	529.36	585.09	425.77	536.13
Mexico (18)	1235.38	0.4	1193.62	854.89	986.70	10236.30	-0.4	1.38	1230.24	1187.93	851.25	982.59	10276.43	1325.65	791.99	931.03
Netherland (19)	299.56	0.1	289.43	207.30	239.26	235.15	0.1	3.06	299.32	289.03	207.11	239.07	235.00	299.69	245.79	248.94
New Zealand (15)	77.25	0.1	74.63	53.45	61.70	60.89	0.1	4.51	77.15	74.49	53.38	61.62	60.82	85.49	75.94	80.29
Norway (35)	255.99	0.2	247.34	177.15	204.46	228.06	0.2	1.99	255.39	246.61	176.72	203.98	227.56	255.99	222.24	222.51
Singapore (44)	418.71	-0.2	404.55	289.75	334.42	271.97	-0.2	1.38	419.72	405.29	290.42	335.23	272.53	465.21	355.81	393.53
South Africa (45)	361.68	1.0	349.46	250.29	288.88	342.42	0.6	2.12	358.15	345.83	247.82	286.05	340.56	437.78	338.91	339.91
Spain (37)	181.33	0.7	175.20	125.48	144.83	178.00	0.7	3.12	180.04	173.85	124.58	143.80	176.70	181.33	145.15	145.98
Sweden (48)	356.15	-1.3	344.11	246.45	284.45	354.02	-1.3	2.40	360.75	348.34	249.62	288.13	358.76	360.77	259.66	284.81
Switzerland (38)	233.30	0.6	225.41	161.44	186.33	182.96	0.5	1.82	231.81	223.84	160.40	185.15	182.01	252.34	191.24	198.58
Thailand (46)	167.38	-2.0	161.72	115.83	133.69	164.77	-2.1	2.00	170.67	164.99	118.23	136.47	168.23	193.95	146.74	169.56
United Kingdom (201)	234.21	0.3	226.29	162.07	187.06	226.26	0.3	4.11	233.60	225.57	161.64	186.58	225.57	237.43	210.29	216.32
USA (627)	272.79	-0.2	263.57	188.77	217.88	272.79	-0.2	2.16	273.38	263.98	189.16	218.35	273.38	276.47	218.93	218.93
Americas (772)	248.99	-0.2	240.57	172.30	198.87	209.33	-0.2	2.17	249.51	240.92	172.64	199.28	209.76	252.43	198.68	198.68
Europe (715)	210.11	0.3	203.01	145.40	167.82	165.60	0.3	3.04	209.57	202.36	145.01	167.38	165.08	211.35	187.21	188.19
Nordic (136)	304.36	-0.7	294.07	210.62	243.09	266.38	-0.8	2.30	306.51	295.96	212.09	244.81	268.38	306.81	250.62	254.57
Pacific Basin (831)	167.26	0.8	161.60	115.74	133.59	117.82	0.8	1.17	165.97	160.26	114.84	132.56	116.90	177.01	148.86	155.15
Euro-Pacific (1546)	185.01	0.5	178.75	128.03	147.77	143.49	0.5	2.06	184.03	177.70	127.34	146.99	142.72	190.57	166.51	168.82
North America (726)	265.87	-0.2	256.88	183.98	212.35	265.16	-0.2	2.17	266.48	257.31	184.38	212.83	265.77	269.52	212.20	212.20
Europe Ex. UK (514)	191.83	0.3	185.34	132.75	153.21	161.00	0.2	2.46	191.33	184.75	132.39	152.82	160.58	192.67	168.40	168.89
Pacific Ex. Japan (350)	285.79	-0.3	276.13	197.77	228.26	246.63	-0.3	3.09	286.58	276.68	198.26	228.85	247.30	296.68	243.59	251.33
World Ex. US (1736)	186.22	0.5	179.92	128.86	148.73	147.86	0.5	2.06	185.26	178.89	128.19	147.97	147.10	191.55	167.36	169.50
World Ex. UK (2162)	210.88	0.2	203.76	145.94	168.44	179.43	0.2	1.81	210.48	203.24	145.64	168.11	179.09	213.05	180.73	180.73
World Ex. Japan (1882)	245.26	0.0	236.97	169.72	195.89	232.92	0.0	2.52	245.38	236.92	169.78	185.97	233.02	247.55	205.93	205.93
The World Index (2363)	213.00	0.2	205.80	147.40	170.12	183.83	0.2	2.11	212.58	205.26	147.09	169.78	183.46	214.70	183.83	183.83

PLEASE NOTE: Effective June 17, adjustments will be made to Fletcher Energy, Fletcher Paper and Fletcher Building (all New Zealand) to reflect the index performance impact of their conversion from Fletcher Challenge on March 25. The index did not reflect this performance in March when the conversion took place but will be reflected in the June 17 index return. The New Zealand and Pacific ex Japan index levels will be affected. CONSTITUENT CHANGE WITH EFFECT 14/6/96: Deletion: Midlands Electricity (UK). Latest prices were unavailable for this edition.